

# EURECOM

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## MAJOR STRIDES TOWARD SINGLE INSURANCE MARKET

At the final Internal Market Council of 1991, EC industry ministers took three significant steps toward a single European insurance market. Commented Sir Leon Brittan, EC Financial Services Commissioner: "I offer my warmest congratulations to the Dutch Presidency for all they have done to achieve this triple crown. All three decisions are highly significant in themselves, and demonstrate the Community's determination to push ahead with a single insurance market."

First, the ministers formally adopted the Insurance Accounts Directive (see EURECOM, July/August 1991), which harmonizes insurance accounting standards across the EC, enabling policyholders and shareholders to compare insurers' financial positions throughout the Community. Hitherto, it has been extremely difficult (if not impossible) to compare the financial position of insurance companies in different member states because of different, often incompatible asset and liability valuation methods. The member states' deadline for implementing the directive is January 1, 1994, and it will apply to 1995 accounts.

The Council also formally launched an Insurance Committee, which will include high-level representatives of the national insurance supervisory authorities, operating on the same basis as the Banking Committee. The Committee, which will begin its work at once, will have the following tasks: It will assist the Commission by making technical amendments to existing directives; by consulting on whether EC companies have open EC access to third-country insurance markets; and by advising the Commission (on request) on the implementation of existing directives and on proposals for new EC insurance legislation.

Most important, however, EC industry ministers reached a political agreement on the Third Non-Life Insurance Directive, which will enable any insurance firm established in the EC to provide all types of services (except life insurance, which is the subject of separate legislation) in any member state. It also will allow companies to set up branches on the basis of a single license, subject to "home country" regulatory control. Further, it will permit EC citizens to shop freely across borders for cheaper insurance policies on most goods and services.

The directive defines rules for the investment of assets which constitute the obligatory technical reserves of a company. Combined with the harmonized rules on the calculation of technical provisions contained in the Insurance Accounts Directive, this will create the regulatory basis for mutual recognition. In general, member state regulators will not be permitted to examine either contracts or the premiums charged before products are brought to market. However, national authorities will still be able to scrutinize compulsory policies.

The legislation, which is currently hostage to the European Parliament's refusal to give its opinion because it wants more action on EC social legislation, would take effect in nine EC countries by mid-1994. Spain, Portugal and Greece would receive derogations (Spain until the end of 1996; Portugal and Greece until the end of 1998).

## COMMISSION UPDATES SINGLE MARKET PROGRESS

In its latest 1992 scorecard, published just before the holidays, the Commission reported that more than 80% of the measures for completing the single market had been agreed with one year to go.

The report indicates that the Council of Ministers has either adopted or reached political agreement on all but 50 of the 282 White Paper proposals. Of those 50 pieces of legislation, 35 are considered "priority mea-

asures". However, some of these measures — the Investment Services Directive, the EC Trademark and the European Company Statute, for example — are fraught with technical and political problems, which prevented the Dutch presidency from realizing its goal of getting all single market directives adopted by the end of 1991. Now the onus is on the current Portuguese and ensuing UK EC presidencies to tie up loose ends, particularly on "priority legislation", before the December 31, 1992 deadline.

Concerning national implementation of single market legislation, the 1992 program's most glaring





weakness, there has been some progress. EC member states have increased the overall implementation or "transposition" rate to 77%, up from 73% in June. Still, only 49 measures (up from 37 in June) have been transposed in all 12 member states. Italy continues to sport the worst transposition rate at just over 50%, holding down the overall implementation rate, while Denmark remains the exemplary EC citizen with a 93% rate.

### **DETAILS SET FOR EC ECO-LABEL**

EC environmental ministers have reached a "political agreement" on the details for a Community-wide eco-labelling system, which will enable consumers to identify environmentally less harmful products.

Using a "cradle to grave" approach, products will be examined and graded for their impact on the environment throughout their life span by national competent officials using criteria agreed at the EC level. Only products genuinely less damaging to the environment will receive the eco-label logo, which will be a flower with the 12 EC stars as petals enclosing the EC's Greek-style "E" symbol.

In the revised proposal, which still requires final approval by the Council (see EURECOM, January 1991 for commentary on the original draft), consumer, trade, industry and environmental organizations will be consulted on the selection of product groups and on the stringency of the criteria products must meet for the award. Final decisions on product groups and criteria will be taken by a regulatory committee of the member states on the basis of Commission proposals. Member states will have six months to specify their "competent" authority for awarding the label and nine months to identify the product groups and criteria. The aim is to have the system in place by autumn of this year.

All products will be eligible for the labelling system except certain categories that are already subject to separate and

existing legislation, e.g. beverages, foodstuffs, pharmaceuticals and dangerous substances. National eco-labelling plans will coexist with the EC system, but it is hoped that the EC plan will eventually make the national labels unnecessary.

Although participation in the system will be voluntary, shifts in consumer preferences to environmentally friendly products should spur companies to use the logo for competitive reasons, cleaning up their images as well as their products.

### **EC ECO-AUDIT PLAN RELEASED**

Staying with the "green" theme, the Commission, after heavy industry lobbying, has released its long-awaited proposal for an EC "eco-audit" plan. Unlike the eco-labelling proposal, which concerns goods, the eco-audit applies to firms' production methods and sites.

As foreshadowed in an earlier issue (EURECOM, April 1991), the eco-audit system will be voluntary for companies rather than mandatory (which was the Commission's original aim).

Under the plan, any firm that submits its production facilities to an eco-audit by independent "environmental monitors", covering areas such as energy efficiency, waste reduction and accident prevention, would receive (after independent verification) an environmental logo it could use for public relations purposes. Firms would have to furnish a public statement explaining the verified audit results, and, based on the audit, a firm's top management would have to set targets for continued improvement in a plant's environmental performance. For each production site registered under the scheme, companies would have to establish "internal environmental protection systems", including eco-audits every one to three years.

EC Environmental Commissioner Carlo Ripa di Meana refuted charges that the cost of the eco-audit would prevent the majority of EC companies from participating. He stressed that there is no

reason why small and medium-sized firms would be prevented from using a system which calls for such audits as little as once every three years, particularly in light of the potential public relations benefit.

Ripa di Meana also pointed out that without an EC eco-audit system, there is a risk that widely varying national standards would develop, leading to an uneven playing field. For example, some firms could market themselves as being "greener" than their competitors by virtue of a green award secured in a country where qualifying standards are lower than in others.

### **EC MOVES ON PUBLIC CONTRACTS FOR SERVICES**

In addition to the good work on insurance, the year's end Internal Market Council also reached (in principle) a Common Position on a directive that would open up public contracts for services to more competition (see EURECOM, October 1990).

An important part of the EC's assault on competition-restricting "buy national" practices in public procurement, the directive would require public authorities to advertise contracts of at least 200,000 ecu (ecu1=\$1.33) for services which present the most potential for cross-border trade (e.g. road maintenance, waste removal, insurance, accounting, advertising and information technology) in the EC's daily Official Journal. Member states' authorities would have to accept the "best" offer without regard to nationality.

At present, public service "concessions" — contracts between public agencies and third parties which take responsibility for managing public services (such as street cleaning) — are exempt from the draft rules. Also absent from the recent agreement (which had been included in earlier drafts) is a reciprocity clause, which would permit the EC to take action against third countries that discriminate against EC firms in their procurement of services. Because it



could not find consensus on these two issues, the Council decided that the Commission should monitor them and report back in three years.

### “STANDARD” PRINCIPLES FOR “CE” MARK

To help create a uniform system for marking goods covered by the EC’s “new approach” on industrial standards, a working group of experts from the member states has agreed on a number of governing principles for the “CE” mark — the mark that indicates a product’s compliance with EC technical regulations.

Although the group still has major issues to resolve, the following are points of agreement that will serve as the basis for further work: 1) The “CE” stamp will signify a product’s conformity to EC rules on technical harmonization (as outlined in L90/683/EEC); 2) National certifying bodies will receive from the Commission an identification number to place next to a product’s “CE” mark once they “notify” the Commission of a product’s conformity; 3) As a general rule, the year in which the product was certified will not have to appear next to the mark; 4) Products carrying the “CE” stamp could also have marks demonstrating compliance with national standards or other EC regulations; 5) The “CE” should, whenever possible, appear on the product itself or on its identification plate; and 6) Penalties for violating the rules should be progressive, with pulling products from the market as the ultimate penalty.

### EC-US ANTI-TRUST ACCORD CHALLENGED

In a surprise move, the French government has called the landmark EC-US accord for cooperation on competition policy matters (see EURECOM, October 1991) into question, maintaining that the Commission had no mandate to negotiate and sign the agreement.

### QUOTES

The following quotes pertain to last month’s EC summit in Maastricht:

*“A decisive step has been taken but we cannot be happy, we have not reached our destination yet.” Dutch Prime Minister **Ruud Lubbers**.*

*“Certainly there are...some details which the Bundesbank would have wished to be different, but the demands we consider essential for the stability and success of a currency union...were met. There is a real reason to look with hope to the future for the monetary and political integration of Europe.” Bundesbank President **Helmut Schlesinger**.*

*“...We can establish that in the historical perspective, Maastricht was the most important EC summit conference since the signing of the Rome Treaties (in 1957)...We achieved a solid result...that guarantees our essential interests and at the same time moves the Community a decisive step forward.” German Chancellor **Helmut Kohl**.*

*“...With a single currency (and other factors), Europe will have the means to*

*affirm itself as the world’s main power...It is not that we have the ambitions to dominate, but together, we are already nearly the main commercial power in the world...Together, on all markets we will be at least as strong as the United States or Japan.” French President **Francois Mitterrand**.*

*“The question of who is giving up what is much more serious for other countries than for Germany...We are bringing the German currency system to Europe.” **Theo Waigel**, German Finance Minister.*

*“Businesses compete with each other. What they need from government is a climate that promotes open and fair competition. American business, at least at its most dynamic, is capable of being...anywhere in the world if they have those conditions. To the extent that (European) monetary union, produces those conditions, our (US) businesses will be competitive.” **Robert Morris**, US Council for International Business.*

According to France, the Commission exceeded its powers by concluding an international agreement without formal approval from the Council of Ministers. Article 228 of the EC Treaty states that international agreements can be negotiated by the Commission, but they require Council approval. The Commission believes its basis for negotiating the accord, primarily Articles 85 and 86 of the EC Treaty, will pass legal muster. In the meantime, the agreement remains in force.

The pact established parameters for EC-US cooperation on anti-trust policy, including the sharing of information in the review mergers of multinational significance and in cases of international anti-competitive concentrations.

France has appealed to the European Court of Justice to annul the accord.

### NEW EC AMBASSADOR TO UN ARRIVES

Replacing the recently retired Eamonn Gallagher, Mr. Angel Viñas has assumed his new duties as Head of the EC Commission’s Delegation to the United Nations. Before his New York appointment, Mr. Viñas served as Director for Relations with Latin America in the EC’s External Relations Directorate in Brussels.

Prior to his work at the Commission (which began in 1987), he had a long and distinguished career in the Spanish government, primarily in economic and foreign policy fields. Further, he is a full tenured professor (albeit on indefinite leave) in Applied Economics at the University of Madrid. He is widely published, having written and edited numerous books on contemporary history, international relations and political economy.



### ...IN BRIEF

...Just after last month's issue of EURECOM closed, the EC Court of Justice delivered its opinion on the European Economic Area (EEA) agreement between the EC and EFTA (European Free Trade Association), deeming certain parts of the accord incompatible with the EC Treaty (see EURECOM, December 1991). As a result, some aspects of the agreement, particularly the joint EC-EFTA tribunal to resolve EEA-related disputes, will have to be renegotiated. Both parties accepted the Court's opinion, but reaffirmed their determination to conclude the accord as soon as possible.

...The Commission recently completed exploratory talks with Romania and Bulgaria on association agreements, and will soon submit proposals for formal negotiations to the Council. Last year the member states agreed in principle to extend these two countries "Europe Accords", which are designed to give fledgling East and Central European countries greater access to EC markets and to expand bilateral cooperation in a number of fields. The EC recently initialled such agreements with Poland, Hungary and Czechoslovakia (see EURECOM, December 1991).

...The EC will soon lift its remaining

trade sanctions against South Africa now that Denmark has dropped its veto (such measures require unanimity). Denmark had prevented the Community from formally implementing a decision taken in April last year by EC foreign ministers to end the ban on iron, steel and gold imports from South Africa. The Danish government (which had supported the scrapping of sanctions in April) and opposition parties recently achieved plurality on the issue, believing that South African political reforms justified abolishing the sanctions.

...From the people that publish *The 1992 M&A Monthly* and *The European Deal Review*, a new and timely publication — ***The East European Investment Monthly*** — is now available. As the title suggests, the magazine focuses on acquisitions, joint ventures and greenfield investments in Eastern and Central Europe and the former Soviet Union, along with updates on investment laws in each nation and republic. For more information, please contact Mark Dixon at (212) 355-2931.



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