



# GLOBAL IMPACT



A Publication of the Ocean Marine Division of Great American Insurance Group

2Q04 No. 28

## EUROPEAN UNION ADMITS 10 NEW MEMBERS THE IMPACT ON EUROPE, THE UNITED STATES AND YOUR BUSINESS

Dear Friends:

*In our dynamic global economy, few things remain the same. The European Union just admitted 10 new members. This will impact Western Europe, Central Europe and the United States. If you do business there, or incorporate European products in your supply chain, your business could be affected. Learn about the risks and rewards (p 1-2).*

*No single method can address the many variables in handling and storing boats. But when it comes to reducing risk, marinas can take important steps. Read about one industry report and its guidelines (p 3).*

*The alertness of maritime crews is essential to safety and efficiency. Read about the Crew Endurance Management System and how to implement it (p 4).*

*We hope you enjoy this issue and, as always, we welcome your comments.*

Sincerely,

John A. Rowney  
Division President  
Ocean Marine Division

**O**n May 1, 2004, the European Union (EU) welcomed 10 new members. This increased its consumer base from 375 million to 448 million and boosted its economy to over \$9 trillion annually. This will have important ramifications for Europe, the United States, the euro and possibly your business.

### EU BENEFITS AND CHALLENGES

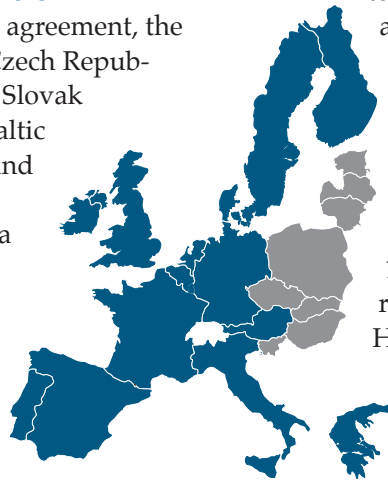
As part of their accession agreement, the new EU members—the Czech Republic, Hungary, Poland, the Slovak Republic, Slovenia, the Baltic states of Estonia, Latvia and Lithuania, and the Mediterranean islands of Malta and Cyprus—will adopt the EU's common commercial policy and higher regulatory standards. In addition, they will adhere to EU bilateral trade agreements and apply its common external tariff. And, since most new members are located in Central Europe, their accession has erased the last traces of the old "Iron Curtain" from the Cold War years.

The original EU members also will have new responsibilities, many which may prove difficult. For example, since living standards and productivity levels of most new members are well below those of the original 15, billions of dollars in subsidies will be required to be pumped from the West to the East. And not unlike some of

the problems that plagued former West Germany when it absorbed former East Germany, tensions are likely to rise when workers in the West lose jobs to those in the accession countries.

### U.S. BENEFITS AND CHALLENGES

As new members apply the common EU external tariff, most U.S. products exported to these countries will be assessed a lower, not higher duty. In addition, since one set of standards and regulations now will apply to all 25 EU members, U.S. exporters selling to the new members will no longer have to navigate through 10 complex and often confusing regulatory environments. However, there is a downside.



Since products traded among the original 15 and 10 new EU participants are no

longer assessed tariffs, intra-EU trade is likely to increase. Consequently, U.S. products exported to Central Europe, which are still subject to EU tariffs albeit lower, may become less competitive. In turn, Europeans are likely to buy more goods from each other and fewer from the U.S. and third countries—a phenomena known as trade diversion.

In the short-term, the impact probably will be minor. In 2003, the United States shipped \$3.6 billion in merchandise to the

*Continued on page 2*

Continued from page 1

10 new EU members. Compared to the \$150.5 billion in U.S. exports to the original 15 EU members, and the balance of \$570 billion in exports shipped to other countries, this is small. However, as the 10 new EU members grow more affluent and increase demand, U.S. exports to these countries will rise—but perhaps not as much due to trade diversion.

### U.S. POLITICAL CHALLENGES

Since World War II and throughout the Cold War period, the United States was unquestionably the world leader in terms of political and economic policy. In fact, the Cold War provided much of the glue that held the American-Western European alliance together.



Since the end of the Cold War, however, and in light of the EU's expansion and

many trans-Atlantic contentious issues, the U.S. is no longer in a position of dominance. This will affect the United States' ability to forge new political and economic policies that involve Europe and the rest of the world.

### EURO USAGE TO RISE

Unlike the original 15 EU members—Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom—the 10 new EU accession nations must adopt the euro when they fulfill specific requirements. This will take at least several years. But given the limited circulation and high levels of currency volatility, joining the euro area, also known as Euroland or the Eurozone, is an advantage in terms of stability and confidence.

Three of the original 15 EU members have a very different set of concerns and issues regarding the Eurozone. In nationwide referendums, both Denmark and Sweden voted against euro participation. And according to analysts, the United Kingdom is unlikely to adopt it any time soon.

Nationalists from these countries argue that euro participation would erode national sovereignty and hand over power to the European Central Bank whose "one size fits all" policies may not be welcomed. Furthermore, many are concerned that the single currency could lead to a political union that may promote legislation they do not support. The UK, which has been especially critical of the euro, has established five economic tests it says must be met before it calls a referendum. Prime Minister Tony Blair and

Chancellor Gordon Brown, however, support adopting the euro and wish to have a referendum on the issue before the next general election in mid-2006. But the Tories, the opposing conservative party, are against joining the euro in the immediate future. Britain's attachment to its relatively stable pound sterling, which has an unbroken history of more than 900 years and has dominated global trade for decades, is proving difficult to break.

### BENEFITS OF EUROZONE MEMBERSHIP

The Eurozone, which currently represents a population of 305 million people, has benefited from the single European currency in a number of ways. According to an EU study, the establishment of the euro eliminated transaction costs estimated at 0.5 percent of GDP. Other studies estimated this cost closer to 1 percent.

An International Monetary Fund study projects the euro will increase GDP growth in participating member economies each year, and by almost 3 percent in 2010. Plus, greater macroeconomic stability and reduced governmental deficits are anticipated in an economically stronger Euroland. These and other benefits generated by the euro are attractive to newcomers.

### BENEFITS OF DOING BUSINESS IN EUROS

When new EU members, which currently generate approximately \$680 billion in GDP, adopt the euro, they will request that their U.S. partners transact business in the currency. And as the EU and Euroland expand (Bulgaria and Romania may join the EU by 2007), complying with this request can give you a competitive advantage over companies that don't.



Overall, using the euro will simplify doing business in Europe. Plus, dealing with one stable currency instead of several less stable ones will reduce volatility risk. Additionally, it will save on exchange fees. However, keep in mind that dealing with any currency, including the euro, involves a level of risk.

To convert euros into dollars, click on CNN's currency converter (<http://money.cnn.com/markets/currencies/>), the Universal Currency Converter ([www.xe.net/ucc](http://www.xe.net/ucc)) or Oanda ([www.oanda.com](http://www.oanda.com)). For answers to business and legal questions, visit the European Central Bank ([www.ecb.int](http://www.ecb.int)), and the EU's website on expansion ([www.europa.eu.int/pol/enlarg/index\\_en.htm](http://www.europa.eu.int/pol/enlarg/index_en.htm)). ■

# ONE SIZE DOESN'T FIT ALL IN HANDLING AND STORING BOATS

It's that time of year again. June officially kicks off hurricane season for the Atlantic and Gulf Coasts, less than a year after Isabel caused millions of dollars of damage to marinas and stored boats. The high wind and water of a hurricane are unpredictable conditions for vessel storage, to put it mildly. But even everyday variables make a single "right way" for storage impossible.



"There are so many different ways that boats are stored—in different parts of the country, in different weather patterns, using different equipment," said John Adey, technical director for the American Boat and Yacht Council (ABYC). "It just isn't the kind of thing you can write a standard for."

The ABYC, in Edgewater, Md., develops safety-oriented technical reports and standards for the design, construction, maintenance and repair of small craft. And while it hasn't established any one-size-fits-all standard for boat storage, it does publish a technical report to help marinas mitigate safety and damage risks when hauling, launching, handling or storing boats.

## DUE DILIGENCE IN THE BOATYARD

Titled *TY-28: Boat Lifting and Storage*, the report specifically covers the use of straddle lifts and forklifts for hauling boats, as well as block, stand and cradle methods for storage on shore. For years the report has formed the basis for safe practices in many marinas and boatyards around the country. Some highlights include:

- "Boat manufacturers have an initial responsibility for marking lifting points on boat hulls and for indicating which hauling equipment and storage methods are appropriate for their vessels. Marina personnel, in turn, should heed any manufacturer instructions or restrictions before operating lift equipment."
- "A multi-point pre-lift inspection should include checking for bilge water, which can shift and change the balance of the load. Trained straddle lift operators should inspect slings prior to each use, looking for any signs of wear or degradation. For safe forklift operation, a second observer should assist the driver at several stages of boat transport."
- "When stored, the boat should be level athwartships and trimmed fore and aft so the cockpit and deck will drain. When blocking, a minimum of two sets of keel blocks per boat should be used, taking several variables into account. Similarly, if stands are used, there should be no less than two pairs placed under the boat, again taking into consideration a number of hull and environmental variables. Nothing should be tied to the stands except the chains that hold pairs of stands together."
- "During the storage season, marina personnel should make routine checks of stands and cradles to make sure there is still adequate support of the load. Frost heaving, storms and soft ground can result in shifting supports that require adjustment."

## COMMON SENSE, COMMON PRACTICE

While most of the report's guidelines may seem like common sense, in daily practice too much can be taken for granted when using equipment in a marina, resulting in the costly oversight of basic precautions. Facilities should use TY-28 to customize a baseline checklist for operations, then train personnel in applying the checklist to daily activities.

In the event of a negligence claim, having guidelines based on TY-28 can help show that employees used due diligence.

"Almost every major case that I hear of involving a boat that's fallen over involves TY-28 in court," Adey told *Global Impact*, "which is either fortunate or unfortunate for marina operators, depending on how you look at it."



The most recent edition of the report, published in 1998, will soon undergo further revision to update OSHA references, include guidelines for hydraulic trailers and make several clarifications, Adey said. The complete report is available for purchase on the ABYC web site ([www.abycinc.org](http://www.abycinc.org)).

Great American's Ocean Marine Division also offers a free brochure on Safe Forklift Operations, available online ([www.greatamerocean.com](http://www.greatamerocean.com)). And for those who may have to weather one of this season's hurricanes, you'll find a brochure on Hurricane Damage Prevention, too. ■

## MANAGING CREW ENDURANCE TAKES TIME BUT REAPS BIG SAFETY GAINS

Crew endurance isn't a new issue in the maritime industry, but it reached a tipping point in July 2000 when a tugboat and barge struck a bridge in Seattle. Following costly repairs and traffic snarls, a Coast Guard investigation confirmed that fatigue had contributed to the high-profile accident.

"It was a real catalyst," said Capt. Robert Clinton, vice president of safety for the American Waterways Operators (AWO), representing tugboat, towboat and barge operators. "We're trying to do everything we can now to mitigate this issue."

Two years ago a joint AWO-Coast Guard panel recommended that operators implement a voluntary Crew Endurance Management System (CEMS), which goes beyond merely reducing fatigue by optimizing crew stamina and alertness. Today, all AWO members, or roughly 80 percent of the tow industry, are at least considering CEMS, Clinton said.

### A MARATHON, NOT A SPRINT

But changing the work culture of an

entire crew doesn't happen overnight. The Coast Guard defines crew endurance as the ability to maintain performance within safety limits while coping with environmental, operational, physiological and psychological challenges. Basic stressors such as prolonged heat and poor diet can have dramatic effects on crew stamina. Once a company addresses these preliminary concerns, it can begin to manage more complex factors, such as an individual's biological clock, Clinton told *Global Impact*.

Each day the typical person encounters a period of lowest energy and alertness, known as the "Red Zone," from roughly sundown to sunrise. Hormones that regulate the body's clock respond to light, making nighttime the body's natural rest period when energy recharging takes place. A crewmember working through the Red Zone, however, skips that energy production and isn't as prepared mentally for the job. And that can make him unsafe and less productive.

Simply altering times of sleep isn't enough, researchers say, since the

body's internal clock triggers the Red Zone. It takes consistent scheduling and light management—bright light during night operations and total darkness during daytime sleep—to get a crew's bodies and schedules in synch. "Crew endurance management is a culture change that will take a lot of time," Clinton admitted. "It's a marathon, not a sprint."

### PUTTING IT INTO PRACTICE

According to the Coast Guard, which developed CEMS at its R&D Center in Groton, Conn., any maritime operation interested in implementing CEMS should first set up and train a working group to analyze vessel-specific risks and devise a plan. Then, a team of trained coaches can prepare the entire crew and monitor their progress. A subsequent evaluation determines how well the plan is working under real-world conditions.

For more information, see the CEMS "Commitment to Safety" at ([www.americanwaterways.com](http://www.americanwaterways.com)). The Coast Guard's CEMS site ([www.uscg.mil/hq/gm/cems/index.htm](http://www.uscg.mil/hq/gm/cems/index.htm)) also provides a "Guide for Maritime Operations." ■

Copyright © 2004 by Great American Insurance Company. All rights reserved.

The following service marks are the property of Great American Insurance Company: Great American® and Great American Insurance Group®.

For more information on how we can help your business stay profitable, contact your agent or Ed Wilmot at (212) 510-0135, [ewilmot@gaic.com](mailto:ewilmot@gaic.com)

Great American Insurance Group  
Ocean Marine Division  
65 Broadway, 20th Floor  
New York, NY 10006  
[www.GreatAmericanOcean.com](http://www.GreatAmericanOcean.com)



GREATAMERICAN.

PRSR  
STD  
U.S. POSTAGE PAID  
MAILED FROM  
ZIP CODE 14240  
PERMIT NO. 1242