

# Proposals Before EEC Alarm Multinationals

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Sweeping measures that are being drafted to regulate the management and operations of multinational corporations in the European Economic Community have aroused deep concern among the biggest blue-chip corporations in the United States, but a tactical split in their own ranks may undermine the Americans' efforts to defeat or tone down the proposed rules.

The regulations, which are in various stages of the EEC's gradual legislative process, would require multinational corporations to consolidate the financial reports of all their European operations and disclose exhaustive data on their plans and strategies. They would increase corporate liability for defective products and give workers an unprecedented voice in management decision-making.

The most controversial is known as the "Vredeling proposal," after Dutch socialist Henk Vredeling, who first proposed it in 1980 when he was still a member of the European Commission, the umbrella bureaucracy of the EEC. It would require parent corporations to give workers a semi-annual "clear picture" of the entire corporation's financial situation, development and employment plans, marketing strategies, new products and technologies, and "all procedures and plans liable to have a substantial effect on employees' interests." Plant closings would require 40 days' notice and consultations with workers.

A key committee of the European parliament is scheduled to conclude its debate on the Vredeling proposal later this month. Diplomats and business execu-

tives here and in Europe say it is likely to be approved. The question is whether the parliament will propose amendments to make it more palatable to business before returning it to the European Commission for implementation.

Large corporations doing business in all 10 nations of the EEC would be affected, even those with headquarters outside Europe and those that are privately-held and exempt from disclosure laws in their home countries.

American corporations, which appear to be the chief targets of the regulatory push, have been shuttling executives back and forth across the Atlantic for much of the past year in an effort to tone down or fend off the regulations. But the argument over the most effective way to address the Europeans has at times obscured the debate over the complex rules themselves.

Business groups such as the U.S. Chamber of Commerce and the National Foreign Trade Council, and many of the giant U.S. corporations that have subsidiaries in Europe, believe that the proposed regulations can be eliminated or watered down through quiet negotiations with European officials.

But a faction spearheaded by Washington lawyer Bart Fisher regards the regulations as such a serious and imminent threat that the Europeans must be openly confronted, and has chosen a bluntly antagonistic approach—including the introduction of bills in Congress that would block American firms from complying with the EEC regulations.

The State Department has been caught in the middle. The department disapproves of what the Europeans pro-

pose to do, but it also wants to avoid a confrontation with the EEC at a time when irritants to U.S. European relations are proliferating. A senior State Department official said last week the United States hopes the American corporations, and some in Europe that share their concerns, can do their own negotiating with the EEC and avoid escalating this into a confrontation between the U.S. government and the European community.

Fisher, a partner in the firm of Patton, Boggs and Blow, represents Mars Inc., the secretive McLean-based candy and rice empire, and "about 20 other multinationals" that he declined to name because "a lot of them have investments in Europe which are hostages to the governments over there," he said in an interview.

He acknowledged that his tactics—which go so far as to suggest that U.S. defense commitments to NATO might diminish if the Europeans undercut U.S. economic interests—have stirred resentment within the EEC.

But, he said, "when it's the last of the eighth and you're losing 6 to 1, you might as well throw a few brush-back pitches."

Shrugging off warnings that high-pressure Washington-style lobbying is inappropriate in Europe, Fisher argued that "publicity is our best weapon, because what they are doing is illegal. It is outside the scope of the Treaty of Rome," which created the Common Market, he said, and since it is illegal "you can understand why the Eurocrats don't want to read it in the newspapers."

Such free-swinging verbal assaults have brought pained and angry reactions on both sides of the Atlantic. Worse, in the opinion of some opponents of the proposed regulations, they have the effect of re-enforcing the determination of the regulations' supporters. Because he represents Mars, which holds its corporate information as closely as possible and has a reputation as anti-union, Fisher is viewed by critics in Europe as a well-financed pleader for a special cause whose tactics jeopardize the

interests of other American businesses.

Ivor Richard, the British Laborite who as the EEC's commissioner for social affairs is the key figure on the European side, said in a recent interview that "the Fisher group's tactics are totally counterproductive. The person they have to influence is me, and they have not had a scrap of influence on me, nor will they. We are legislating for Europe, not for the United States."

Kenneth J. Hickman, a senior partner in the accounting firm of Arthur Andersen & Co. and head of the National Foreign Trade Council's committee on Europe, has pointedly observed that "animosity and belligerency" are inappropriate to the situation.

A London newsletter, The Inside Line, said that "Europeans are baffled by the hysteria in America" over the Vredeling proposal. "Progressive politicians in Europe have been talking for decades about the democratization of management decision making. . . . Europeans are amazed that so much attention has been focused in America on proposals which have very little chance of being passed in their present form."

Fisher is skeptical of such assurances. His view is that American executives who profess to understand the atmospherics in Europe and rely on a low-key approach are whistling past the graveyard. While they are pursuing their gentlemanly negotiations, he argues, regulations that will damage their businesses are making their way toward adoption.

So he scrapped the traditional approach in dealing with the Europeans and launched a well-financed, highly-visible campaign in the grand Washington manner, complete with heavy briefing books, charts, statements for the Congressional Record, pressure on the administration and blunt lectures telling the Europeans their self-interest is at stake.

"I admit my style is unusual," he said, "but I grabbed their attention." When he first took up the issue, he said, "I went in there and everybody told me, 'You can't talk about this, things aren't discussed in this way over here,'" he said. "But I said,

'Wait a minute, we're getting screwed, let's talk about it.' "

He so irritated the Europeans and representatives of American business at a meeting in Brussels last July that he and his law firm were dropped from the National Foreign Trade Council.

Then in October Fisher gave an interview to the influential French newspaper *Le Monde*, in which he said that "the American firms, who control half the industrial capital of the European Community, some \$80 billion, are not without means of applying pressure"—just the sort of comment that arouses the resentment of Europe's left-wing trade unions and nationalist politicians pressing for enactment of the corporate controls.

*Le Monde* named several corporate giants opposing the regulations—International Harvester, Union Carbide, General Motors, Ford, Kodak, IBM and others—and implied that Fisher represented them. That provoked outrage in the boardrooms of the corporations, according to several sources, and led them to openly repudiate Fisher and his tactics. Fisher says he was "misquoted" by *Le Monde*.

Fisher drafted, and persuaded members of Congress to introduce, legislation that would allow the U.S. government to prohibit American corporations from complying with European disclosure regulations.

Sen. Steven Symms (R-Idaho), who is carrying the ball for Fisher in the Senate, said when he introduced the "Protection of Confidential Business Information" bill last August that the Europeans failed to recognize the benefits to "the economic health of Europe" from the activities of American firms.

His bill would provide criminal penalties for any firm disclosing information in violation of a directive of the attorney general to withhold it. He said it was "not an invitation

to trench warfare across the battleground of international investment policy, whose casualties would be the working men and women of Europe and the United States," but "an invitation to our trading partners to make peace, to abjure the extraterritorial reach of their legislation" and negotiate a solution.

Neither Symms' bill nor its counterpart in the House, sponsored by Rep. Thomas J. Luken (D-Ohio), has made any legislative headway. Sources in Congress acknowledge that the purpose of introducing the so-called "blocking legislation" was more to fire a shot across the bow of the Europeans than to enact enforceable laws.

The State Department has declined to endorse the legislation.

The proposed regulations are part of a long-term effort to harmonize the business laws of the EEC's member nations, France, West Germany, Italy, Britain, Ireland, Belgium, the Netherlands, Luxembourg, Greece and Denmark.

Each must pass through a long, complex process of drafting, debate and amendment—first in the European Commission, then in the elected parliament, then back to the commission, then to the Council of Ministers—before being adopted. But, once adopted, the regulations become binding on the member nations. The process can take years.

The proposal, however, has had what Harrington called "an abnormal life" because it moved from introduction to parliamentary review in just over a year.

Review by the European Parliament is expected to be completed by midsummer. The parliament's opinions and proposed amendments are technically only advisory, but Richard, the EEC commissioner for social welfare, said he would "review the language in the light of parliament's action."

He said he was "quite convinced that what comes out will be mandatory and will have sanctions" for noncompliance, but he was "not wedded to the text."

Richard said he was committed to the principle, however, and that "European corporations recognize at least the rough justice of the exercise." Because of Europe's acute recession and high unemployment, he said, workers are entitled to knowledge of and participation in corporate decisions that affect their lives, and those who support the idea "are not raving revolutionaries."

Charles Goldman, who was ITT's general counsel in Europe for the

past five years, said his company would find it "very difficult" to work with Vredeling "in its present form." Its provisions, he said, were "totally unrealistic . . . I just don't see how we could operate under this regulation." His view is shared by representatives of other corporate giants, but Richard said it is not his intention to drive them out of Europe.

"The idea that I'm seriously going to pass a piece of legislation to weaken the European economy and European cooperation is absolute rubbish," he said. "But the problem won't go away. If they defeat this, it will come up again in some other form."