

A Letter from Europe

A monthly update on the European Community from its Delegation in Washington

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THE VREDELING DIRECTIVE--HAS THE COMMON MARKET GOT IT WRONG?

That well-known 19th century entrepreneur Ebenezer Scrooge had views on the treatment of workers which had at least the merit of simplicity and clarity. "Have the poor houses closed," he asked when taxed one day with their plight, "Are the treadmills no longer in operation?" Labor relations on both sides of the Atlantic have come some way since then. But the Commission of the European Communities would like to move them a bit further. That is why they approved on the 16th June an amended version of a proposal for Community-wide legislation to require multinational corporations to improve the process of information and consultation of the workforces in their European subsidiaries. This proposal has been under preparation for some three years; it is named after the former EEC Commissioner for Social Affairs, Mr Henk Vredeling. It has caused considerable controversy. To listen to some folks one would think it was tantamount to putting the multinationals into leg irons.

So let us look at what the proposal would provide. The Vredeling proposal is designed to improve the flow of information from multinational corporations to their local employees and to give those employed by the multinationals a chance of giving their views before decisions affecting their livelihood are made. The proposal would require the parent company at least once a year to give its subsidiaries information on the company's business activities, financial situation and prospects. This information would have to be passed on by the subsidiaries to workforce representatives. Updated information of the type supplied to stockholders would also have to be relayed through subsidiaries to the worker representatives. Should the parent company propose to make a decision having a major impact on those employed in an EC-based subsidiary, it would have to inform the subsidiary's management before making the decision final. The parent firm would be required to give the grounds for the proposed decision and the legal, economic and social consequences of the decision for the employees concerned. It would also have to say what actions were planned with respect to those employees. Examples would include plans to close or transfer

plants, measures related to worker health or safety and changes in working practices. Management would be required to consult with employees on these initiatives, in principal before the final decision was made. Worker representatives would have legal recourse if management failed to meet these consultation requirements.

No American company has said that it will disinvest in Europe as a result of this proposal. Nor should they have good reason to, since the EC Commission in this revised text has done its very best to meet the points raised by American business. Mr Ivor Richard, the Commissioner now responsible for the proposal, has come to the US twice in the last nine months for discussions with American business representatives. Here are some of the main changes which have been made.

The proposal now will apply only to corporate groups with more than one thousand workers in the EEC. The proposal will now permit management to withhold business secrets from employees or to require employee representatives to treat certain types of information as confidential. Information would be considered "secret" under the proposal if its disclosure could substantially damage the company's interest or lead to failure of its plans. A panel or tribunal would be set up to settle disputes between workers and management as to secrecy or confidentiality.

The Commission has taken care not to impose unwanted consultation structures on business in cases where direct communication with the workforce or individuals is already company practice. Instead, Member States would be permitted to provide for direct communication rather than communication through representatives.

Again the point was strongly made by U.S. business that the procedures for consulting workers before decisions affecting their interest were made should avoid the possibility of opening lengthy and prejudicial litigation. The new proposal has been carefully drafted to limit the consultation period to 30 days to avoid the possibility of workers effectively imposing a veto on company actions. This proposal now goes to the Council of Ministers whose unanimous approval is needed. But it is the Commission's hope that this draft proposal can not only be adopted but can materially improve the relationship between management and workers in Europe. We think that those who spend their lives in the service of a company where decisions are taken thousands of miles away, do need to have the sense that they are being informed on what is going on in the company as a whole and will have a chance to have a say when major decisions affecting their livelihood are being taken.

Ray Jorman

Window on the European Community

EC LEADERS PLEDGE UNITY, PREPARE TO TACKLE PROBLEMS

...At their June 17-19 Summit meeting in Stuttgart, Germany, the leaders of the EC's 10 Member States reaffirmed their commitment to an ever-closer European union and laid the groundwork for a major negotiation to tackle the Community's most pressing problems. The Ten said the negotiation would take place over the next six months at the level of Foreign Ministers and Finance Ministers and would focus on EC revenue reforms, the enlargement of the Community to include Spain and Portugal and the need for greater budgetary discipline. An anticipated cash shortage is one of the most serious difficulties now facing the EC. The results of the negotiation, which will include an examination of all EC policies--particularly the Common Agricultural Policy (CAP)--are to be submitted to the next EC Summit. That meeting is scheduled to take place on December 6 in Athens.

"Nobody expected miracles from the Stuttgart Summit, and I for one would have wished for something more than a work program," said EC Commission President Gaston Thorn of the recent meeting. "But we do have a number of commitments which point in the right direction. The ten Governments have recognized the need to secure long term Community financing on a fair basis, to develop new forward-looking policies, to improve existing policies--including the CAP--and to provide for enlargement," Thorn said. The Summit, known officially as the European Council, expressed its support for a sovereign Lebanon and a national reconciliation in Poland that takes full account of the "aspirations of the Polish people". In addition the Ten expressed their conviction that the problems of Central America cannot be solved by military means, but rather only by a political solution springing from the region itself and "respecting the principles of non-interference and inviolability of frontiers."

GREECE TO ASSUME PRESIDENCY OF EC COUNCIL ON JULY 1

...Greece, the European Community's newest member, will assume the Presidency of the EC's Council of Ministers for the first time in Community history on July 1, 1983. The Presidency of the Council, the EC's top decision-making body, rotates among the EC's members at six-month intervals. The Presidency convenes Council meetings and plays an important role in coordinating the decision-making process. Greece joined the EC in 1981. Germany currently occupies the Presidency.

US, EC ESTABLISH WORKING GROUP ON AGRICULTURAL EXPORTS

...The US and EC, at odds over EC export subsidies, said this month they will establish an informal bilateral working group to examine agricultural export subsidies and other forms of export assistance. That announcement came on June 23 following meetings between US and EC agricultural trade policy officials. The working group will not seek changes in current (GATT) trading rules. These rules permit agricultural export subsidies as long as these subsidies do not gain their sponsor an unfairly large share of business. However, EC officials said the working group will explore the possibility of clarifying and defining present rules in a more mutually acceptable way. The US charges that EC subsidies undercut US farmers in world markets. The EC says such subsidies are a vital part of the Common Agricultural Policy, without which the EC might cease to exist. Further, in conformity with GATT rules, the Community does not use subsidies to take a more than "equitable" share of the world market.

EC COMMISSION SEEKS COOPERATION WITH US IN FUSION RESEARCH

...The EC Commission has asked the Community's Council of Ministers for authority to negotiate a cooperative research agreement with the US in the field of thermonuclear fusion, a potential safe, clean and virtually inexhaustible energy source. The US earlier this year told the Commission it was ready to begin talks towards such an agreement. The idea of US-EC cooperation in fusion research arose during meetings between EC Commission Vice President Etienne Davignon and Dr. G. Keyworth, scientific advisor to US President Ronald Reagan. The Commission said cooperative activities should include exchanges of information and scientific and technical personnel. Fusion--the source of the sun's energy--is expected to become an economically viable power source during the 21st century.

ECONOMIC RECOVERY IN EC EXPECTED TO BE RELATIVELY WEAK

...Economic recovery will remain slow and weak in the EC in 1983 and 1984, accompanied by declining inflation but no improvement in the employment picture, according to recent EC Commission forecasts. Gross domestic product in the Community is expected to grow by an average of only 0.5% in 1983 and 1.6% in 1984, with economic performance varying widely among individual EC Member States. The average inflation rate in the EC is expected to fall to 6.4% in 1983 and 5.7% in 1984. This compares with a Community-wide inflation rate of 8.8% in 1982. However, unemployment is expected to continue its rise, reaching 10.9% this year and 11.5% in 1984, the Commission said. The Commission cited the strength of the US economic recovery and the future direction of American interest rates as key areas of uncertainty in its projections.