

UNTANGLE THE STATE REGULATORY WEB

By Louis V. Gerstner, Jr.

Across Europe, lines of commerce will soon run virtually unbroken by national or continental boundaries, creating the largest and freest market in the world. After years of breastbeating, American companies may soon be stepping onto that near-mythical "level playing field." At long last, the rest of the world has begun to embrace our concept of unrestricted trade. The whole world, that is, except the United States.

While others are piecing together larger trading blocks, a curious and potentially dangerous counter-trend is emerging across the United States. America's once-healthy national marketplace is becoming Balkanized—slowly splitting into small strongholds of local interest. Where federal law was once dominant in such areas as food labeling and the environment, the individual states are now asserting their own standards.

Going federal law one better is becoming the rule, not the exception. Domestic and foreign businesses trying to compete across the United States are being bounced around through a maze of different state and local regulations.

Take food. Over the last two years, 22 state legislatures have debated 65 different food and safety standards, even though the United States has far and away the toughest national inspection and testing



Louis V. Gerstner, Jr. is chairman and chief executive of RJR Nabisco Inc.

standards in the world. Unless federal law is uniform on consumer safety standards, companies like mine face the very real prospect of remaking, repackaging and rerouting products just to make their way across the country.

California already has a tangle of warning label requirements that go far beyond national scientific safety standards. The latest series of "propositions," mercifully defeated on Election Day, would have ultimately denied market access to products with ingredients treated with an arbitrary array of pesticides. On the same day, Oregon voters rejected a proposition to outlaw nonrecycled packaging like plastic toothpaste tubes or the "virgin" plastic bags that protect breakfast

cereals from chemicals in the recycled boxes. There is no reason to believe, however, that these defeats signal the end of such crusades.

Imagine the verbiage and varying color schemes on each box if food companies had to come up with separate packaging and ingredient formulas to meet conflicting state standards. It is like forcing drivers to change license plates each time they cross a state line. Pretty soon both safety messages and product names become a blur. And the mounting cost of new compliance gets passed along to the consumer.

Expand the confusion to the international market. We have made the removal of agricultural trade barriers one of our government's priorities at the General Agreement on Tariffs and Trade meetings. At those meetings, American trade negotiators are arguing for worldwide labeling standards based on scientific evidence for all nations. But we miss the inconsistency as individual states ignore those very findings to concoct their own standards.

Food and agriculture are not the only areas for concern. We are going the wrong way on trucking as well. The European Community stands to save billions in rate reductions and increased efficiency by breaking down old trucking

GERSTNER continued on page 26