# MICKEY GOES TO FRANCE: A CASE STUDY OF THE EURO DISNEYLAND NEGOTIATIONS

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In 1984, The Walt Disney Company ("Disney") was riding the wave of success from its newest Resort,[1] Tokyo Disney Resort ("Tokyo Disney"),[2] which attracted 10 million guests[3] in the first year alone,[4] and its thoughts turned to further international expansion—this time, in Europe. After careful consideration of potential locations and preliminary negotiations with two European governments,[5] Disney decided in 1984 to launch Euro Disneyland ("Euro Disneyland" or "EDL")[6] in Marne-la-Vallée, France. The realities of opening and operating EDL in France were far different than Disney's expectations when it began negotiations—so much so that the Resort narrowly escaped bankruptcy.[7] For an "entertainment empire"[8] like Disney, this was an unprecedented

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1 As used herein, "Resort" refers to a Disney resort property, consisting of (unless otherwise indicated), Parks, hotels, all entertainment facilities, and the transportation systems that connect them. "Park" refers to a Disney theme park, including (unless otherwise indicated) the park grounds, rides, and attractions, and surrounding resorts, hotels, and other Disney-affiliated entertainment facilities.

2 Tokyo Disney was Disney's third Park and first international venture, located in Tokyo, Japan. *See* The Walt Disney Co., *Annual Report (Form 10-K)*, at 11–12 (Nov. 21, 2012) [hereinafter *Annual Report*].

3 Disney refers to Resort visitors and patrons as "guests." This terminology derives from Walt Disney, who, at the opening of Disneyland Resort ("Disneyland"), established the motto "At Disneyland, the visitors are our guests." BILL CAPODAGLI & LYNN JACKSON, THE DISNEY WAY: HARNESSING THE MANAGEMENT SECRETS OF DISNEY IN YOUR COMPANY 59 (1999) (internal quotation omitted). Disneyland was Disney's first resort property, located in Anaheim, California. *See Annual Report*, *supra* note 2, at 9.

4 MICHAEL EISNER WITH TONY SCHWARTZ, WORK IN PROGRESS: RISKING FAILURE, SURVIVING SUCCESS 263 (1998).

5 *See infra* text accompanying notes 19–28.

6 Euro Disneyland was Disney's fourth Resort. *See Annual Report*, *supra* note 2, at 8–12. On October 1, 1994, the Resort's name was officially changed from Euro Disneyland to Disneyland Paris. *About Our Company: Our Story*, DISNEYLAND PARIS, http://corporate.disneylandparis.com/about-our-company/our-story/ (last visited July 10, 2012). In March 2002, the Resort's name was officially changed again to Disneyland Resort Paris. *Id.*

7 *See infra* text accompanying note 56.

8 *E.g.*, *The Mouse Besieged*, Opinion, N.Y. TIMES, Feb. 12, 2004, at A36 (referring to Disney's "fabled entertainment empire"); Jason Garcia, *Disney Banking on a New Princess*, ORLANDO SENTINEL, Nov. 12, 2009, at A1 (referring to "Disney's entertainment empire"). This is an apt characterization, given the fact that Disney had $42.3 billion in revenue in 2012, and has

failure. This Article presents a case study of Disney's interactions with the French government and citizens through Euro Disneyland, and analyzes its mistakes and attempts to rectify them in the context of intercultural negotiation[9] theory. It concludes with advice for how multinational firms like Disney should approach international deal-making in the future to avoid repeating past mistakes.

## I. Foundation of a Deal: The Importance of Culture in Negotiation

Culture[10] is significant in business negotiations for the simple reason that all negotiators necessarily bring their own cultural backgrounds to the table—cultural values influence negotiators' interests and priorities.[11] Negotiation strategies that conceptually accord with a culture's values become normative in that culture, such that negotiators from that culture unconsciously adopt those behaviors.[12] If viewed by members of other cultural groups as inap-

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diversified business segments that include parks and resorts, media networks, consumer products, studio entertainment, and interactive media. *See Annual Report*, *supra* note 2, at 1–16, 28. In addition, Disney currently owns, operates, manages, and/or licenses, directly or indirectly, six resort properties in California, Florida, Japan, France, Hong Kong, and Hawaii, with a seventh resort property in China currently under construction. *Id*. at 8–12. Disney also operates other resort and vacation facilities, including through a cruise line, a vacation ownership plan, and a provider of guided vacation tour packages. *Id.* at 12.

9 As used in this Article, "negotiation" refers to all "back-and-forth communication designed to reach an agreement when [the parties] have some interests that are shared and others that are opposed." Roger Fisher, William Ury & Bruce Patton, Getting to Yes: Negotiating Agreement Without Giving In xvii (2d ed. 1991). This broad definition encompasses most interpersonal interactions.

10 As used in this Article, "culture" refers to "a set of shared and enduring meanings, values, and beliefs that characterize national, ethnic, or other groups and orient their behavior." Guy Olivier Faure & Gunnar Sjöstedt, *Culture and Negotiation: An Introduction*, *in* Culture and Negotiation: The Resolution of Water Disputes 3 (Guy Olivier Faure & Jeffrey Z. Rubin, eds., 1993) (emphasis omitted). The "other groups" contemplated by this definition include organizations such as Disney, which have their own "organizational cultures." Wanis-St. John defines "organizational cultures" as "'shared mental models that the members of an organization hold and take for granted' and that facilitate its success." Anthony Wanis-St. John, *Cultural Pathways in Negotiation and Conflict Management*, *in* The Handbook of Dispute Resolution 119–120 (Michael L. Moffit & Robert C. Bordone, eds., 2005), (quoting Edgar Schein, Corporate Culture Survival Guide 20 (1st ed. 1999)). This Article's use of "culture" refers primarily to national cultures and business cultures.

11 Jeanne M. Brett, Negotiating Globally: How to Negotiate Deals, Resolve Disputes, and Make Decisions Across Cultural Boundaries 7 (2001).

12 *See* Catherine H. Tinsley & Madan M. Pillutla, *Negotiating in the United States and Hong Kong*, 29 J. Int'l Bus. Stud. 711, 713, 715 (1998).

propriate or offensive, the culturally-shaped strategies create and perpetuate discord in cross-cultural negotiations.[13]

## II. The Deal: Mickey Goes to France

The original concept for Euro Disneyland was Walt Disney's.[14] He desired to pay tribute to France by building a Resort there because France's gardens and castles had inspired his design of Disneyland in Anaheim, California.[15] Disney also wanted to honor his ancestral connections to France and to celebrate the memories of his time there as an ambulance driver during World War I.[16] Disney executives first researched the idea of a European Resort in earnest after Tokyo's warm embrace of Tokyo Disney, and two separate groups of executives formally pitched the concept to Disney CEO Michael Eisner and president Frank Wells in the early 1980s.[17] Aware that Europeans accounted for more than two million of the domestic Resorts' annual visits, Eisner and Wells authorized a search for the perfect European site.[18] In the fall of 1984, Dick Nunis, head of Disney's domestic Resorts, and Jim Cora, head of construction at Tokyo Disney, presented to Eisner and Wells the result of more than 1,200 site evaluations—the viable options were France and Spain.[19] Nunis and Cora favored Spain for the weather, but noted the site lacked reliable phone service and was a considerable distance from central Europe, which meant a Spanish Resort would likely attract only summer tourists. In contrast, while the agrarian French site initially seemed unimpressive,[20] its proximity to downtown Paris and, perhaps more importantly, Eisner's fond childhood memories of France made a French Resort more favorable.[21] Eisner knew that Paris com-

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13 *See id.* at 715.

14 Andrew Lainsbury, Once Upon an American Dream: The Story of Euro Disneyland 16–17 (2000). Walt Disney was Disney's founder and the creative force behind the Resorts.

15 *Id.*

16 *Id.*

17 Eisner, *supra* note 4, at 262.

18 *Id.*

19 *Id.* at 264.

20 *Id.* at 264.

21 *Id.* at 265. Eisner's great influence over Disney during his term as its CEO makes the fact that he favored France especially significant. *See* Kathryn Harris, *The Loneliest Man in the Kingdom: Forget Walt. Michael Eisner, Disney's Hands-on Chairman, is Shaping the Company in His Own Image, Signing off on Everything from Scripts to Carpet Patterns. But in Today's*

manded steady tourism (between 12 and 16 million tourists annually in the 1980s).[22] Moreover, Ile-de-France (the Paris metro area under consideration) was zoned such that the French government, rather than a mayoral commune, controlled it.[23] Eisner also assumed the French climate would not diminish the prospective Resort's success; he surmised that the French were used to bad weather and that tourists would continue to visit France despite its climate.[24] Though Eisner was partial to France, he and Wells instructed Nunis and Cora to negotiate with both sides and see what terms they would offer.

The French and Spanish governments quickly launched a bidding war for Disney's patronage. Beyond mere bragging rights, a Disney Resort promised the host country thousands of jobs and billions of revenue from the projected millions of annual tourist visits.[25] Neither government wanted to lose the lucrative project, and they both wooed Disney with financing deals, tax breaks, and even offers of free land.[26] As the Spanish minister of tourism and transport remarked in September of 1985, "We want to obtain Disneyland at any price!"[27] The Disney negotiators sat back and allowed the governments to raise the stakes. Ultimately, France's offer proved unbeatable. Eisner made the announcement during a meeting with representatives of the French government in December 1985 that Disney would build in France.[28]

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*World of Corporate Mergers and Alliances, Can Mickey's Competitive, Go-it-Alone Boss Keep Winning?*, L.A. TIMES, Mar. 26, 1995, at 14 (describing Eisner as Disney's "ultimate arbiter of taste").

22 EISNER, *supra* note 4, at 265.

23 Richard F. Babcock, *Mickey a la Mode*, 57 PLANNING 18,19–20 (1991). France's 1982 devolution law changed zoning, resulting in a nationwide system of municipally-controlled communes. *Id.* The central government's control over the proposed Disney site decreased the likelihood of harassment from the local municipality. *See id.*

24 EISNER, *supra* note 4, at 265. A native of New York, a city that "barely notices" inclement weather, Eisner attributed the climate concern to "people who'd lived in California for most of their lives," and did not find the objection personally "compelling." *Id.*

25 *See* Steven Greenhouse, *Playing Disney in the Parisian Fields*, N.Y. TIMES, Feb. 17, 1991, at C3. Christian Cardon, head of the French government office established to coordinate France's negotiations with Disney, predicted "Euro Disney is going to create at least 30,000 jobs. . . . And tourists from abroad will spend almost $1 billion a year here" (internal quotation omitted). *Id.*

26 LAINSBURY, *supra* note 14, at 21.

27 *Id.* at 20 (internal quotation omitted).

28 Gail DeGeorge & Andres Oppenheimer, *Vive Mickey! France Snares a Disney Park*, MIAMI HERALD, Dec. 19, 1985, at 1A.

Disney planned to open the Resort in April of 1992.[29] Future expansion aside, Euro Disneyland would boast twenty-nine attractions, six hotels, a 190,000 square foot entertainment center, a campground, and a twenty-seven hole golf course surrounded by one-family homes.[30] Disney anticipated serving 15–17,000 meals per hour, excluding snacks,[31] in Disneyland Park's[32] combined seventy restaurants, eateries, food carts, and cafeterias, and projected receiving more than 11 million visitors in the first year.[33] Disney's main goals were to control its financial exposure, as it did in Tokyo, but also to obtain a substantial share of profits and management control, which it failed to do in Japan.[34] In what was regarded as a mistake, given Tokyo Disney's success, Disney relinquished ownership of that Resort and licensed it to the Japanese in exchange for royalties.[35] Disney was determined not to miss a similarly profitable opportunity in France by foregoing ownership, and so it charged Joe Shapiro, Disney's corporate counsel and lead negotiator in Paris, with securing a deal that gave Disney both ownership and control of EDL. Shapiro negotiated simultaneously with more than six French agencies. He reported primarily to Wells, who called at all hours of the day and night with new demands.[36] Through Shapiro's efforts, the parties agreed to Disney's forming a wholly owned French corporation, Euro Disney S.C.A. ("Euro Disney"), that would own and operate EDL. Thanks to a loophole that allowed Disney to sell 51% of Euro Disney shares to the public and still retain management control, as well as to receive royalties from gross revenues, Disney overcame France's legal

29 *Euro Disneyland Financing Gains*, N. Y. TIMES, July 8, 1988, at D12.

30 Joan Bakos, *Allons Enfant au Euro Disneyland!,* 90 RESTAURANT BUS. 96, 98 (1991).

31 *Id.* at 98.

32 Disneyland Park is one of two Parks at EDL, and is comparable to Magic Kingdom Park ("Magic Kingdom") at Walt Disney World Resort ("Walt Disney World"), Disney's second Resort, located in Lake Buena Vista, Florida. *See generally Disneyland Park*, DISNEYLAND PARIS, http://us.parks.disneylandparis.com/disneyland-park/index.xhtml (last visited Mar. 1, 2013). *See generally also Magic Kingdom Park*, WALT DISNEY WORLD, https://disneyworld.disney.go.com/destinations/magic-kingdom/ (last visited Feb. 19, 2013) [hereinafter *Magic Kingdom*]. Disneyland Park consists of five themed "Lands": Main Street, USA, Frontierland, Fantasyland, Adventureland, and Discoveryland. *See generally Disneyland Park: Lands*, DISNEYLAND PARIS, *http://us.parks.disneylandparis.com/disneyland-park/lands/index.xhtml* (last visited Mar. 1, 2013).

33 Greenhouse, *supra* note 25, at C3.

34 EISNER, *supra* note 4, at 266.

35 *See id.* at 263.

36 *See id.* at 268. *See also* JESWALD W. SALACUSE, THE GLOBAL NEGOTIATOR 86–87 (2003) (having to negotiate simultaneously on home time and local time is one of the perils of international deal-making).

prohibition against foreign investors' holding more than 49% interests in French companies.[37]

Just before the parties signed the contract, Prime Minister Fabius and the Socialist party were voted out of office, and were replaced by Jacques Chirac and the Conservatives.[38] The new government was sympathetic to the Disney project (due partly to the personal relationship Eisner cultivated with Chirac),[39] but the change in power meant that Disney had to start negotiating almost from scratch.[40] The final deal that Eisner and Chirac signed on March 24, 1987 gave Disney 4,400 acres of Marne-la-Vallée land at a bargain price,[41] a $700 million French government loan at below-market interest rates, $400 million of financing of key infrastructure, France's promise to construct a TGV stop at the Resort's front entrance and to expand the A-4 freeway, and other valuable benefits.[42] Disney would pay only 26% of the contract's total cost,[43] and so could profit from EDL even if EDL lost money.[44] Also important to the American company, France agreed to accept Walt Disney's claim of French ancestry.[45] Eighty-five percent of the French population supported the deal, despite the fact that their taxes paid for much of it.[46] And not surprisingly, Disney was

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37 In 1988, French President Mitterrand declared an end to nationalizations; companies could acquire up to 49% private capital. Allowing privatization was intended to bring in billions of francs, which were to be spent on public housing and repaying public debt. *See* COLIN GORDON, THE BUSINESS CULTURE IN FRANCE 9 (1996). Disney's loophole was a law that allowed majority shareholders to be overruled in certain circumstances of ownership. Its effect was providing Disney with 100% control of Euro Disney, despite its holding only a 49% interest. *See* LAINSBURY, *supra* note 14, at 30.

38 Paul Lewis, *A French Disneyland Near Paris is Approved*, N.Y. TIMES, Mar. 22, 1987, at A16.

39 *See* EISNER, *supra* note 4, at 268.

40 Lewis, *supra* note 38, at A16.

41 Declaring the Disney development a "project of general interest," the French government exercised its eminent domain powers to freeze the land's value at its agricultural price. Babcock, *supra* note 23, at 20 (internal quotation omitted). The sale of productive farmland at below-market prices triggered protests by French farmers, who were aware that property values surrounding Disney sites had risen 20% in 25 years in California, 30% per year in Florida, and faster in Tokyo than those of any other piece of Japanese land. *Id.*

42 *See* EISNER, *supra* note 4, at 265–266; LAINSBURY, *supra* note 14, at 31–32.

43 Paul R. Michaud, *Going Global: Wild Kingdom,* 5 WORLD TRADE, no. 8, Oct. 1992 at *1.

44 *See The Not-So-Magic Kingdom: Euro Disney*, THE ECONOMIST (US), Sept. 26, 1992, at 87.

45 Roger Mills, James Dimech Debono & Victoria Dimech Debono, *Euro Disney: A Mickey Mouse Project?*, 12 EUR. MGMT. J. 306, 307 (1994).

46 *Id.* This figure was based on a poll conducted in 1987. *Id.*

thrilled with the bargain, which one Disney official called "the deal of the century."[47]

Euro Disney's very successful October 9, 1989 IPO was over-subscribed at a high share price. Like Tokyo Disney, Euro Disneyland was expected to be an instant success.[48] As Euro Disney president Robert Fitzpatrick commented, "My biggest fear . . . is that we will be too successful."[49] The financial community agreed: Margo Vignola of Salomon Brothers opined, "I don't think it can miss. . . . They [Disney] are masters of marketing. When the place opens, it will be perfect. And they know how to make people smile—even the French."[50] Disney was entirely confident that it had just negotiated its next great financial victory.

Despite this optimism, Euro Disney faced challenges that likely would have crippled another company. Protests over alleged contractual irregularities by sixteen construction firms threatened to block the grand opening.[51] Disney negotiated around this threat, but could not prevent the rail strike, bombing of a power pylon, and damp, chilly weather that marred the Resort's first day, or stop the French farmers who blockaded the Resort's entrance with their tractors a few months later while protesting American agricultural trade policies.[52] The first summer, typically the peak period for Disney visits, attracted a disappointing 30,000 tourists per day, with particularly low numbers of French guests.[53] The Resort ran at a net Ffr339 million (approximately 51.7 million euro)

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47 Michaud, *supra* note 43, at *1 (internal quotation omitted).

48 *See* Greenhouse, *supra* note 25, at C3. This confidence was based partly on the fact that Europeans accounted for over 2.7 million visits to Disney's American Parks in 1990 and spent $1.6 billion on Disney merchandise. *Id.* Disney expected high attendance levels because the Disney name and quality of experience would make the Resort a popular vacation destination, because the Resort was easily accessible to more than 310 million people due to its central location and proximity to airports, trains, and highways, and because Disney's prices were comparable to those of Paris's major attractions with similar entertainment value. Mills, Debono & Debono, *supra* note 45, at 308.

49 Greenhouse, *supra* note 25, at C3. In preparation for this possibility, Disney made plans for emergency radio and subway announcements to warn people that Disneyland Park was full. *Id.* (internal quotation omitted).

50 *Id.* (internal quotation omitted).

51 Vicki Vaughan, *Euro Disney Ironing Out Wrinkles: A French Labor Leader and 16 Construction Companies Working on the Theme Park Blast the Company's Way of Doing Business*, ORLANDO SENTINEL, Feb. 9, 1992, at D1.

52 *See* Vicki Vaughan, *Bonjour, Mickey Mouse—Euro Disney Opens*, ORLANDO SENTINEL, Apr. 13, 1992, at A1; E. Tempest, *Protestors Block Euro Disneyland France: Irked by U.S. Trade Policies, Farmers use Tractors to Keep Cars and Buses out of the Park,* L.A. TIMES, June 27, 1992, at 8. *See also supra* note 41 and *infra* note 88.

53 Mills, Debono & Debono, *supra* note 45, at 308.

operating loss after the first six months of operations.[54] Euro Disney ran out of cash in 1993 and had to request emergency funds from Disney. Only a renegotiation of Euro Disney's interest payments and fees in 1993[55] and a significant investment from Prince Al-Waleed Bin Tahal, who offered to buy up to 24.5% of Euro Disney, saved Euro Disney from a humiliating bankruptcy.[56] Ironically, the Resort that was declared a success even before it was built did not earn a net profit until 1995.[57] Though Disney satisfied all its interests in negotiating the EDL agreement, it overlooked one crucial truth: Even the best financial deal would fail if no one came to the Resort.

## III. The Analysis: Why the Empire Proved Fallible

Disney's opening and operating Euro Disneyland involved negotiations in three significant contexts: with the French government to finance the Resort, with construction firms and intraorganizational employees to construct and operate the Resort, and with tourists to sell the Resort and make it a success. Part III analyzes Disney's achievements and errors in conducting the various negotiations in light of negotiation theory regarding international dealmaking in general, and French-American negotiations in particular.[58] It then addresses Disney's attempt to "renegotiate" by correcting its prior mistakes. It becomes clear that throughout the Euro Disneyland negotiations, Disney was guilty both of arrogance and of poor prioritization: Assuming it could not fail, Disney focused on the money and lost sight of the people behind it.

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54 *Id.* at 309.

55 *See id.* at 312.

56 *See* Lainsbury, *supra* note 14, at 140, 153.

57 *The Kingdom Inside the Republic (New Management Strategy at Euro Disney)*, The Economist (US), Apr. 13, 1996, at 66.

58 The negotiations in opening and operating EDL took place with construction firms, employees, and tourists from many countries other than France as well. However, as France was the host country and the majority of interactions were between French and Americans, this Article focuses on negotiations between these two countries. It should also be noted that references to behaviors, traits, or attitudes "typical" to one culture are made with recognition that such generalizations are inapplicable on the individual level. *See, e.g.*, Kwok Leung, Rabi S. Bhagat, Nancy R. Buchan, Miriam Erez & Cristina B. Gibson, *Culture and International Business: Recent Advances and Their Implications for Future Research*, 36 J. Int'l. Bus. Stud. 357, 368–370 (Jul. 2005). Characterizations of "French" and "American" negotiators are intended to be read with that limitation in mind.

### A. *Negotiations with the Government*

Disney's negotiation with the French government was arguably its most successful one, insofar as the resulting deal met Disney's interests. Much of Disney's success with the French government is attributable to Disney's understanding its negotiation partner. In business deals such as this one, the state's main goals are typically social or political, as Government officials have strong interests in maintaining their power and are likely to focus on short-term gains that will get them reelected.[59] Thus, understanding the local government's ideology, including its perception of private investment, profit, and individual rights, is a crucial aspect of the negotiations for a company in Disney's position.[60] Disney had a strong sense of the French government's interests in this negotiation—Disney had watched the two governments fight over the chance to host EDL, so its executives were well aware that the French government primarily welcomed a Disney Resort as a solution to the unemployment problem and a boost to tourism, rather than out of concern for Disney shareholders' profits.[61]

Along with understanding governmental interests, international dealmakers must also recognize the true role government plays in the host country.[62] Mayors of French communes are important officials with few checks on their power.[63] Because it was aware of the mayors' power, Disney negotiated directly with the national government to obtain state-controlled land, thereby bypassing the local authorities and mitigating the risk of harassment on the local level.[64] Circumventing the municipal government helped to assure Disney that a Marne Valley mayor would not repudiate the negotiated deal if the terms later proved unfavorable to the French interests.[65]

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59 Brett, *supra* note 11, at 179. In this case, French Socialists argued vehemently that French money should be devoted to housing and immediate economic needs instead of to lending Disney 40% of the EDL project costs. *Id.* at 192. Presumably, ten thousand new jobs and billions of tourism revenue were enough incentive for French officials to proceed despite the Socialist outcry.

60 *Id.* at 179.

61 To ensure these interests were met, the French insisted that Disney build a French tourism office in Disneyland Park. Michaud, *supra* note 43, at *1.

62 *See* Christophe Dupont, *International Business Negotiations, in* International Negotiation: Analysis, Approaches, Issues 375, 381–382 (Victor A Kremenyuk ed., 2002).

63 Gordon, *supra* note 37, at 162.

64 *See infra* text accompanying note 85.

65 *See* Salacuse, *supra* note 36, at 179-180 (explaining that risk of repudiation by the government of burdensome contracts in the name of sovereignty and public welfare is one source of

The process of negotiating with the various government agencies was itself a vast undertaking. Shapiro compared it to:

> [C]oming to the United States and trying to make a deal with the President of the United States, the Secretary of Defense, the Secretary of State, the Secretary of Transportation; and it also has to be approved by the House and the Senate. Then you have to make a deal with the governor of California, the county of Los Angeles, the city of Los Angeles, the Burbank Redevelopment Agency, and you have to go to the Southern California rapid transit people.[66]

Complex negotiations such as the EDL deal underscore the necessity of studying the host government's bureaucratic structure—whether it makes or only implements policy decisions, how bureaucrats get jobs, whether there is a climate of corruption, etc.[67] Presumably aware of all of these challenges and issues, Disney convinced France to name a full-time ministerial level official to coordinate Euro Disney's relations with the French government and to avoid bureaucratic red tape.[68] The use of such a mediator to facilitate the business relationship between government and private firm is recognized as a successful deal-making strategy,[69] and it served Disney well by streamlining the negotiation process.

Disney also wisely acknowledged the possibility that the EDL deal could result in disputes with the French government. Thus, Shapiro was relentless in negotiating an arbitration provision that would settle disputes at the International Chamber of Commerce, rather than in French court.[70] Agreement upon governing law is essential in international negotiations; commercial arbitration provisions provide the additional benefits of assuring neutrality, avoiding costly litigation, and maintaining privacy.[71] Disney's insistence upon arbitration was a prudent strategy to reduce its risk in dealing with the French government.

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instability inherent in international deal-making, as is the risk that the government may invoke sovereign immunity). In light of these possibilities, Disney's precautions appear especially prudent.

66 BRETT, *supra* note 11, at 191.

67 *Id.* at 192.

68 Michaud, *supra* note 43, at *1. The minister's appointment was a product of negotiations with Chirac. *See infra* notes 72–77 and accompanying text.

69 SALACUSE, *supra* note 36, at 25.

70 Michaud, *supra* note 43, at *1.

71 SALACUSE, *supra* note 36, at 68.

Disney also coped well with a risk present in all international business deals: government regime change.[72] Chirac's assumption of control over the French government two days before France signed the contract with Disney could have toppled the deal, except that Disney prepared for the potential regime change in several ways. Negotiators met with Chirac as soon as it seemed that Fabius would not remain in power, and secured Chirac's promise that if he were elected his government would continue working with Disney.[73] Chirac even agreed to reduce bureaucratic barriers by appointing the aforementioned government minister.[74] Disney's circumvention of the potential problems caused by a government regime change is largely attributable to the fact that the American negotiators adopted the French norm of relationship building in the pre-negotiation stage—France is considered a highly affective,[75] "high-context" culture,[76] such that establishing a personal relationship between the parties is a necessary precondition to substantive agreement. Thus, Eisner's personal relationship with Chirac[77] likely contributed a great deal to Chirac's willingness to work with Disney.

Though the final deal met Disney's financial interests, negotiations with the French government were hardly idyllic. For instance, the government demanded that Disney retitle Disneyland Park's attractions with French names.[78] This demand was arguably attributable to an attempt by the government to preserve the integrity of the French language, a mission that France conducts through its French Academy, which endeavors to prevent French's incorpora-

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72 *See id.* at 179–180.

73 LAINSBURY, *supra* note 14, at 27.

74 *Id.*; *see supra* note 68 and accompanying text.

75 Jennifer M. George, Gareth R. Jones & Jorge A. Gonzalez, *The Role of Affect in Cross-Cultural Negotiations,* 29 J. INT'L BUS. STUD. 749, 757 (1998). Members of "highly affective" cultures tend to display a great deal of emotional expression. *Id.*

76 BRETT, *supra* note 11, at 20. "High-context" cultures typically prefer indirect, nuanced, and inferential communications, and their negotiations depend upon close personal relationships and well-developed communication networks. *Id.* at 20–21. American culture is considered "low-context," meaning Americans prefer direct communication of explicit information. *Id.* In contrast with Disney's conduct here, Americans tend to approach negotiation as a problem solving process and to emphasize results rather than relationships, and so they typically devote little time to fostering interpersonal connections. *See* RAYMOND COHEN, NEGOTIATING ACROSS CULTURES: INTERNATIONAL COMMUNICATION IN AN INTERDEPENDENT WORLD 36–37 (rev. ed. 1997).

77 *See supra* text accompanying note 39.

78 Michaud, *supra* note 43, at *1.

tion of foreign words.[79] Disney agreed to some name changes (for example, renaming the Magic Kingdom's Swiss Family Treehouse[80] "*La Cabane des Robinson*"), but held firm on others (such as Main Street, U.S.A. and Big Thunder Mountain Railroad[81]).[82] This conflict demonstrates the hazard of ethnocentric thinking, which pervades international deal-making—negotiators tend to perceive their own cultural group's norms as superior, and as a result they exert pressure on the other party to adopt their cultural protocols; accordingly, the other side resists assimilation and insists on its own cultural norms and values.[83] The tension in the EDL negotiations resulting from each culture's insistence on its own choice of language exemplifies the conflict created by ethnocentrism[84] in international deals.

The language dispute with the national government is insignificant compared to the cultural battles Disney waged with the local municipality. Disney's decision to bypass the local governments and negotiate directly with the state meant that the Marne-la-Vallée officials were not called to the negotiating table at all, and were completely excluded from the process.[85] The national government demanded the municipalities' total and immediate cooperation to accommodate Disney but made no attempt to consult local officials, and the communes in turn felt betrayed by the state.[86] The local governments decried the state's seizure and sale of land as a violation of the spirit of France's expropriation law.[87] They also protested the state's indifference to the inevitable environmental harm the Resort's construction would cause to the farming re-

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79 *See* Janis Forman, *Corporate Image and the Establishment of Euro Disney: Mickey Mouse and the French Press,* 7 TECHNICAL COMM. Q. 247, 255 (1998).

80 The Swiss Family Treehouse is a climbable tree house in the Magic Kingdom based on the Disney film *Swiss Family Robinson*. *See Attractions at Walt Disney World Resort*, WALT DISNEY WORLD, http://disneyworld.disney.go.com/attractions/ (last visited Mar. 1, 2013) [hereinafter *Attractions*].

81 Main Street, U.S.A. is the main walkway, lined with shops and restaurants, in the Magic Kingdom. *See id*. Big Thunder Mountain Railroad is a roller coaster-type attraction designed as a runaway mine train, located in the Magic Kingdom. *See id.*

82 Michaud, *supra* note 43, at *1.

83 BRETT, *supra* note 11, at 142.

84 Ethnocentrism refers to the "belief that your culture's way of doing something is the best way." *Id.* at 235.

85 Forman, *supra* note 79*,* at 250.

86 LAINSBURY, *supra* note 14, at 24.

87 *Id.* at 25. France's expropriation law allowed seizure of land for a military base, railroad, or nuclear power station. Invoking it to accommodate EDL was, at best, a generous interpretation of the law, which some considered to be ironic in a country professing belief in "justice for all." *See id.*

gion.[88] Thus, Disney's choice not to negotiate with the communal governments laid the groundwork for hostile relationships between Euro Disney and the domestic constituencies.

### B. *Negotiations with Outside Firms and Intraorganizational Employees*

Theoretically, one way for a foreign private firm to maintain positive relations with the host country is to involve as many local managers in the venture as possible.[89] Disney worked toward this end by collaborating with local businesses and by employing French people at the Resort, but these efforts failed to achieve the desired harmony. Disney contracted with more than seven hundred French and European construction firms to build EDL.[90] The American company assumed that the crisis-prone European construction industry would welcome the new business, particularly given Disney's willingness to source almost all of the materials locally.[91] In reality, construction in the Marne Valley was fraught with discord. A main source of tension was Disney's insistence on contracting to build EDL according to American construction standards.[92] As one French construction official remarked, "It was pure stupidity to work with Disney. . . . The way the contract was drawn up, according to 'American Standards,' we were never in the right. . . . So we gave up. Signing with Disney was a big mistake."[93] Protesting against the American standards and threatening to block EDL's opening, sixteen European construction firms filed a lawsuit against Euro Disney to collect on $170 million allegedly inevitable cost overruns.[94] This dispute reveals the added challenges posed by international contracting—no contract perfectly captures the parties' understanding in such a way as to prevent disputes, and international contracts are particularly imperfect because of the parties' difficulties in interpreting each other's intent.[95] Moreover, as illustrated by the fact that Disney had to pay the con-

88 *See* Forman, *supra* note 79, at 251. One local farmer's sign read: "Mickey, go home! Look at our fields and villages. A monster is at the gates." *Id.* (internal quotation omitted).

89 *See* SALACUSE, *supra* note 36, at 163.

90 Michaud, *supra* note 43, at *1.

91 *Id.*

92 *Id.*

93 *Id.* (internal quotation omitted).

94 *Id.* Euro Disney deemed this suit "[p]lain blackmail." *Id*. (internal quotation omitted).

95 SALACUSE, *supra* note 36, at 179–180.

struction firms a settlement,[96] enforcement mechanisms in international deals tend to be less certain or more costly than in domestic bargains.[97] Rather than continue intercultural negotiations in the construction process, Disney brought in American Imagineers[98] to take over the job. Executive vice president of Imagineering Mickey Steinberg explained the choice: "[O]ur own people are the only ones who have the expertise we need to get this park built."[99] Thus, Disney chose to pursue its alternatives rather than to repair the international negotiation's broken relationships.

In addition to Euro Disney's challenges with the local construction firms, the company faced obstacles in the intercultural negotiations involved in training French employees (or as Disney calls them, "Cast Members"[100]) and working with them at the Resort. Robert Fitzpatrick was officially president of Euro Disney, but unofficially was a "goodwill ambassador" to the French Cast Members.[101] He held a doctorate in French literature and was married to a French woman; he had also been acknowledged by the press for his fluency in French.[102] Disney's choice of Francophile Fitzpatrick for that position was an acknowledgment of the French's tendency to respond coolly to well-intentioned, but poorly executed efforts to speak their language, and their preference that foreigners not try at all.[103] Disney strategically selected an American well-versed in French culture to lead the Euro Disney initiative in hopes that he could bridge the Resort's intraorganizational cultural gaps.

In the twelve months prior to opening EDL, Euro Disney hired, housed, and trained 12,000 Cast Members.[104] Euro Disney

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96 Michaud, *supra* note 43, at *1.

97 *Id.*

98 Imagineers are employees of Disney's Walt Disney Imagineering unit, which designs and develops new Park concepts and attractions as well as Resorts. *See Annual Report*, *supra* note 2, at 8.

99 EISNER, *supra* note 4, at 282 (internal quotation omitted).

100 *See Diversity*, DISNEYLAND PARIS, http://disneylandparis-casting.com/en/who-we-are/let-s-talk-about-company/diversity (last visited Feb. 18, 2013). As used herein, "Cast Members" refers to all Park employees, from costumed characters to groundskeepers.

101 Forman, *supra* note 79, at 248.

102 *Id.*

103 CHARLES COGAN, FRENCH NEGOTIATING BEHAVIOR: DEALING WITH LA GRANDE NATION 241 (2003). This preference may not hold true in the extreme case, such as the one presented by Jim Cora. As Eisner described him, Cora was "blunt, no-nonsense, and so defiantly American that he refused to learn more than a few words of French during his seven years in Paris." EISNER, *supra* note 4, at 276. Such ethnocentrism as Cora's reinforces cultural differences. *See supra* note 83 and accompanying text.

104 Bakos, *supra* note 30, at 102.

paid 10% over the market average to attract high quality personnel.[105] It hired only bilingual and trilingual employees, who all were required to speak French and English, EDL's two official languages.[106] Many of them had never seen a Disney Park before, so Euro Disney's first challenge was to communicate Disney's vision to them. Disney has a distinctive and well-established corporate identity, which it perpetuates by training its employees rigorously for Disney employment and by educating them about Disney culture.[107] David Kanally, a Disney executive for twelve years and a fluent French speaker, introduced the Cast Members to Disney's corporate philosophy by teaching them its history and its focus on integrating hospitality and show business, as well as teamwork, leadership, and various other job-specific topics.[108]

Disney's approach in providing this training was theoretically correct in some aspects. International negotiation theory advises beginning international negotiations by exchanging information that helps the parties to understand each other's culture.[109] Arguably, Disney attempted to develop a relationship with its French Cast Members by educating them about the company, and by helping them to understand their new business partner and what they could expect from Disney employment.[110] Moreover, Disney's standards created a common culture among the diverse staff, which some organizational experts cite as a contributing factor to harmonious relations within multinational organizations.[111]

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[105] Mills, Debono & Debono, *supra* note 45, at 309.

[106] Bakos, *supra* note 30, at 102.

[107] *See* LAINSBURY, *supra* note 14, at 95–97. The Disney training program occurs at "Disney University." *Id.* at 95. In their two-day training program entitled "Traditions," new hires learn Disney culture through films, worksheets, and team-building exercises. All Cast Members receive reference guides. *Id.* At France's Disney University, "*Le Guide du Cast Member*" explained each Cast Member's "role in the show," "*La Courtoisie Selon Disney*" outlined guidelines for verbal and nonverbal communication and guest service, and "The Euro Disney Look" detailed Disney's rules for Cast Member appearance. *Id.* at 96 (quotation marks omitted). These manuals instigated intra-organizational discord (*see infra* notes 112–127 and accompanying text), but Disney defended them as way of preserving the Park's "carefully planned setting and ambience of an on-stage area . . . with each cast member playing a supporting role." *Id.* at 97 (internal quotation omitted).

[108] Bakos, *supra* note 30, at 102.

[109] BRETT, *supra* note 11, at 144.

[110] *See* Robert L. Kahn, *Organizational Theory*, *in* INTERNATIONAL NEGOTIATION: ANALYSIS, APPROACHES, ISSUES 159, 187 (Victor A Kremenyuk ed., 2002). Kahn refers to this as the process of fostering "knowledge-based" trust—trust that is based on ability to understand the other party's interests and to predict his actions. *See id.*

[111] *See*, *e.g.*, BRETT, *supra* note 11, at 146.

However, the recommended cultural introduction and the communication of interests are intended to be bilateral. Disney's unilateral cultural indoctrination better exemplifies the common mistake of becoming ideologically positional,[112] rather than engaging in a mutually respectful process of exchange. Disney did not communicate with Cast Members in such a way that encouraged Disney to adapt to the local environment.[113] Instead, it imposed the Disney culture on the French one, thereby assuming its way was the "right" way, and the host culture's customs were "wrong" or "unacceptable."[114] Not surprisingly, the French were unreceptive to this assertion.

Euro Disney's problems magnified when it attempted to implement Disney's codes of conduct, which differed markedly from French labor practices. All French employment laws and regulations are codified in the *Code du travail*.[115] Each industry is governed by master collective agreements, which regulate working hours, wages, and conditions. Management is visibly hierarchical and emphasizes individual self-reliance as opposed to integrative teamwork and delegation,[116] both of which Disney emphasizes. Given the highly regulated nature of French labor and employment, Disney's expectation that its American employment practices would translate into the French system was shortsighted, and it resulted in a backlash.[117] The Disney credo is "We work while others have fun,"[118] which for Disney particularly means the peak tourist periods, including summers. Requiring Cast Members to work during the summer months contravened French employment practices concerning employee holidays and overtime compensation.[119] Moreover, French labor leaders referred to Disney's appearance codes as "repressive."[120] Disney's prohibitions against

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112 *See* SALACUSE, *supra* note 36, at 119.

113 Dupont, *supra* note 62, at 121.

114 *See* BRETT, *supra* note 11, at 160. This strategy is diametrically opposed to one that would foster "identification-based trust"—trust that rests upon identification with the other party's desires, intentions, and values—which is an essential element in harmonious intra-organizational relations. *See* Kahn, *supra* note 110, at 187.

115 GORDON, *supra* note 37, at 48.

116 *See id.* at 137.

117 *See* Forman, *supra* note 79, at 251.

118 *Id.* (internal quotation omitted).

119 *Id.*

120 Alan Riding, *Only the French Elite Scorn Mickey's Debut,* N.Y. TIMES, Apr. 13, 1992, at A13. The Disney codes mandate for women natural looking hair, only one ring per hand, minimal makeup, earrings smaller than 2 cm in diameter, short nails, heels between 2-10 cm high, skirts 8 cm above the knee, and "appropriate undergarments." Men are required to have well

Cast Members' smoking, eating, or drinking publicly and against arguing with guests or using foul language[121] were similarly decried by the press and French legal authorities.[122] The media accused Disney of trying to "rewrite the French employment code," and the French Ministry of Employment deemed Disney's approach to regulating appearance and behavior "an awkward policy, directly transposed from the United States, which is poorly integrated into French culture."[123]

Faced with this cultural gap in employment norms, the French reacted in defense of their own culture,[124] which manifested itself in acts of rebellion. The union struck, accusing the Euro Disney police force of "spying" on Cast Members and of subjecting supervisors to daily searches.[125] One thousand Cast Members left EDL in the first three months.[126] Those who stayed failed to meet even Disney's lowest standards of guest relations policy—Cast Members who were asked to take group photos purposefully cut guests' heads from the pictures; ride attendants charged entrance fees for attractions because guests did not know they were free; and, perhaps most egregiously flouting Disney's family focus, Cast Members costumed as Disney characters stared down children and refused to give them autographs.[127]

The difficulty integrating American business practices into French employment was more fundamental than conflicting labor codes—the two cultures approach guest relations differently. In France, unbridled enthusiasm is not a prominent—or desirable—

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groomed hair above the collar and only one ring per hand, to be clean shaven, and to conceal tattoos. *Id.* (quotation marks omitted); Forman, *supra* note 79, at 251–252; LAINSBURY, *supra* note 14, at 96.

121 Forman, *supra* note 79, at 252.

122 *See*, *e.g.*, *id* at 252–253.

123 *Id.* at 252 (internal quotation omitted). Euro Disney's vice president of personnel Thorolf Degelmann explained the policies as intended to create a "conservative, professional look; we want our employees to be warm, outgoing, and sincere. We don't want our guests to be distracted by oddities or mannerisms of the cast members." LAINSBURY, *supra* note 14, at 96 (internal quotation omitted).

124 *See* SALACUSE, *supra* note 36, at 114.

125 Michaud, *supra* note 43, at *1. These searches were conducted because of widespread theft by Cast Members. As one EDL source put it, Cast Members were "taking home everything imaginable," including $170,000 from the Hotel New York. *Id.* (internal quotation omitted). The EDL police force was a source of conflict in itself, as French police contested Euro Disney's right to deny the French jurisdiction and to maintain its own private, plainclothes force. *Id.*

126 Mills, Debono & Debono, *supra* note 45, at 309.

127 LAINSBURY, *supra* note 14, at 107.

feature of customer service.[128] Accordingly, and perhaps predictably, many of the French Cast Members refused to become "Disneyfied,"[129] and to follow Disney's guest-relations protocols. Unfortunately for Euro Disney, the guests were disappointed by the Cast Members' attitudes,[130] which undermined the familiar image of Disney that guests developed during past experiences at its Parks.[131] Such damage to its corporate image was precisely the eventuality against which Disney had hoped to guard by training Cast Members in Disney culture.

In Euro Disney's defense, it was perhaps not wholly at fault in attempting to employ its American parent company's standards. A significant part of the package that the French government purchased was the Disney image. Disney purposefully provided the same nature and quality of experience at each of its California, Florida, and Tokyo Resorts, and to expect it to do otherwise because the French were unreceptive to the Disney model is perhaps unfair. Instead of criticizing Disney for adhering to its corporate practices, which were by no means secret when negotiations with France began, it might be more accurate to say that Disney should have conducted sufficient research into French labor practices to understand that its model would conflict with French norms. Rather than select its locale based largely on the host government's financial offer, Disney perhaps should have selected the location into which it would integrate most smoothly.

### C. *Negotiations with the Guests*

Euro Disney's difficulties with its French employees foreshadowed the cultural obstacles EDL faced in its initial interactions with the French guests. One EDL official summed up the situation poignantly: "After our successful encounter with Japan's highly complex culture, we thought we'd be able to open a Disney Park in

128 *Id.* at 106.

129 *Id.* (quotation marks omitted).

130 *See id.* A British journalist remarked that the Cast Members were "mostly, nice enough. . . . 'Mostly,' because even on opening weekend some clearly couldn't care less. . . . My overwhelming impression of the employees was that they were out of their depth." *Id.* (internal quotation omitted).

131 One American tourist lamented the shattered illusion: "Most of the workers are simply not aiming to please. . . . They are playing a different game than their American counterparts. They are acting like real people instead of 'Disney' people." *Id.* (internal quotation omitted).

any part of the world—that is, until we arrived in France."[132] It is essential to international ventures' success that the visiting firm foster a positive local identity and public image.[133] Euro Disney's near bankruptcy is arguably attributable to Disney's failure from the outset of EDL's construction to win popular favor in France.

Disney began the construction process without empathizing with, or even fully understanding, the importance the Marne Valley populace placed on agricultural traditions.[134] Disney assumed the French, who suffered from widespread unemployment, would gladly accept Disney jobs, even though the employment markedly differed from the area's traditional industries.[135] In this way, Disney erred by engaging in ethnocentric thinking: It considered the local populace's preference for agricultural tradition over industrial development to be irrational because the community needed work, and it assumed its assessment of the region's best interests was superior to that of the local citizens.[136] Opting to try to persuade the locals to give up their lifestyle, Disney determined the balance of values favored the American pro-development position, and made no attempt to win community support by preserving the region's agricultural traditions.[137] Because it discounted the French people's preferences as irrational, Disney displayed a lack of respect for the French culture.[138]

In reaction to Disney's ethnocentrism, the French quickly rejected Disney. French intellectuals lambasted Euro Disneyland. Writer Jean Cau called EDL "a horror made of cardboard, plastic and appalling colors, a construction of hardened chewing gum and idiotic folklore taken straight out of comic books written for obese

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132 Michaud, *supra* note 43, at *1 (internal quotation omitted).

133 *See* Salacuse, *supra* note 36, at 163.

134 *See* Dupont, *supra* note 62, at 381–382 (noting that lacking empathy and sufficient knowledge of the host country is one of the most common errors international negotiators make).

135 *See* Brett, *supra* note 11, at 8.

136 *See id.* at 8, 160. Treating the other countrymen as second-class citizens by rejecting their ideas reinforces cultural differences. *See id.* at 160.

137 *See id.* at 9.

138 French Ambassador Gérard Errera considers a show of respect to be the key to negotiating with the French. *See* Cogan, *supra* note 103, at 125. The French culture has been characterized as demonstrating simultaneous superiority ("*la Grand Nation*") and inferiority ("culture of the underdog") complexes, which makes the French particularly sensitive to perceived disrespect. *See id.* at 13–14 (quotation marks omitted). These competing influences predispose the French to be wary of giving in easily to foreigners, and reinforce their desire to be treated as a stronger negotiating partner's equal. *Id.* at 14. Thus, Disney's failure to show respect for the French cultural traditions exemplifies the type of interaction with Americans that "only confirms for the French that Americans are ignorant of the central role France has played" in international affairs. *Id.* at 15 (internal quotation omitted).

Americans."[139] Others echoed Cau's sentiments, referring to EDL as "a terrifying giant's step toward world homogenization," and expressing hope for "a May 1992 that will set fire to Euro Disneyland."[140] To an extent, the intellectuals' comments simply reflect a degree of anti-Americanism in French society.[141] More subtly, they reveal the fear that American (and Disney) cultural imperialism would succeed in altering French society because the French citizens would actively embrace American norms.[142] In response, the intellectuals espoused French nationalist ideology as a defensive posture, and rejected Disney as a threat to their perceived national interests.[143]

Despite French critics' excoriations, Disney made some good-faith efforts to earn acceptance in Europe. Eisner spent part of the summer of 1988 in France meeting with European managers and developing relationships with them, seeking to understand French people's everyday interests and patterns.[144] Disney also carefully contemplated the best approach to take in packaging EDL for the French people. Disney did not simply import its American Resorts into France, as it had in Tokyo. Imagineering executive Tony Baxter, who designed Disneyland Park, explained, "We're building a resort next to one of the most sophisticated, cultured cities in the world, and we're going to be competing with the great art and architecture of Europe. We have to do something unique."[145] Disney executives agreed that the French Resort would require more sophistication and attention to artistic detail than was present even in Disney's other meticulously designed Resorts.[146] But rather than "take Mickey Mouse and try to do surgery to create a transmogrified hybrid, half French and half American,"[147] Disney instead aspired to build its Disneyland Park in a way that paid tribute to the local influences but remained thoroughly American.

Achieving this goal meant emphasizing throughout Disneyland Park the fact that many Disney characters, including Cinderella and Peter Pan, originated in European fables. These

139 Riding, *supra* note 120, at A1 (internal quotation omitted).

140 *Id.* at A13 (quoting writers Jacques Julliard and Alain Finkelkraut) (internal quotation omitted).

141 *See* Cogan, *supra* note 103, at 42.

142 *See* Forman, *supra* note 79, at 249. *See also* Riding, *supra* note 120, at A13.

143 *See* Salacuse, *supra* note 36, at 119–120.

144 Eisner, *supra* note 4, at 273, 275.

145 *Id.* at 270 (quotation marks omitted).

146 Lainsbury, *supra* note 14, at 54.

147 Greenhouse, *supra* note 25, at C3 (internal quotation omitted).

characters received more prominence in EDL than in the domestic Parks, and where possible, Disney called them by their French names (e.g., Sleeping Beauty was "*La belle au bois dormant*").[148] Similarly, Disney adapted the domestic Parks' Tomorrowland[149] to become EDL's Discoveryland, in which the American company celebrated famous Europeans from history, such as Jules Verne, Leonardo da Vinci, and H.G. Wells.[150] Further, employing a recognized relationship building technique,[151] Disney continually emphasized Walt Disney's ancestral French roots and time served in France as a World War I ambulance driver.[152] Moreover, Disney tried to adapt the Resort's menus to the European palate by inviting six hundred restaurants to submit ideas and recipes—based on these suggestions, it made changes such as refining its Tex-Mex recipes to be less spicy, and developing a new coffee blend that would appeal more to Europeans.[153] Further, when market research revealed Europeans' strong association of the United States with the Wild West, and in light of the French's love of cowboys from frontier dramas, Disney responded by importing Frontierland[154] from the domestic Parks to France.[155]

Notwithstanding these attempts to adapt to its new locale, Disney largely failed to penetrate the French market. To succeed in business in France, a company must fully understand French taste and the market's regional nature—individual pockets of population demand individual agents and attention.[156] Disney erred because it treated Europe as a homogenous market;[157] it did not recognize that European tourists' habits vary greatly by country.[158] It also made the mistake of advertising EDL in Europe using methods developed in the United States. The original ad campaigns targeted children and featured Mickey or Pluto introducing the

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148 Forman, *supra* note 79, at 250.

149 Tomorrowland is a section of the Magic Kingdom with future and space-themed rides and attractions. *See generally Magic Kingdom*, *supra* note 32.

150 Riding, *supra* note 120, at A13. The technique of paying special tribute to France's historical achievements is one that Cogan recommends to American negotiators as a way of according France respect. *See* COGAN, *supra* note 103, at 239–241.

151 *See* SALACUSE, *supra* note 36, at 48.

152 Riding, *supra* note 120, at A13.

153 Bakos, *supra* note 30, at 98.

154 Frontierland is a section of the Magic Kingdom with American West-themed rides and attractions. *See generally Magic Kingdom*, *supra* note 32.

155 LAINSBURY, *supra* note 14, at 57.

156 GORDON, *supra* note 37, at 158.

157 *See* Mills, Debono & Debono, *supra* note 45, at 309.

158 *The Kingdom Inside the Republic, supra* note 57, at 66–67.

rides and parades available inside the Park.[159] This technique worked in the U.S. because adults there had visited Disney Resorts as children, but European adults associated Disney with magazines, films, and toys, not with a vacation trip; consequently, Europeans thought the advertised "theme park" was just an overpriced fair.[160] Thus, Disney's negotiation mistake was cultural stereotyping, insofar as it treated all Europe as a whole rather than as individual regions with varying interests.[161]

Moreover, Disney vastly overestimated the relative value Europeans would place on EDL admission, food, and lodging. The admission charge in 1991 dollars was $40 for adults and $27 for children under 11.[162] After the September 1992 collapse of the Exchange Rate Mechanism, it became 10-20% more expensive for some European tourists to visit, and attendance declined by as much as 50% in the affected countries.[163] Currency fluctuations are a risk inherent in every international deal.[164] But rather than adapt to the currency devaluation by lowering prices, Euro Disney maintained the current levels. Prices were so high in the Resort that guests began smuggling in their own food and drink to compensate for the admission charges.[165] Euro Disney did not even decrease the hotel room prices, notwithstanding the fact that from the outset it was charging more than market research suggested was appropriate.[166] Accordingly, guests opted to stay in Paris and

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159 *Id.*

160 *Id.*

161 *See* SALACUSE, *supra* note 36, at 111.

162 Riding, *supra* note 120, at A13.

163 Mills, Debono & Debono, *supra* note 45, at 309.

164 SALACUSE, *supra* note 36, at 179–180.

165 Peter Curwen, *Euro Disney: The Mouse That Roared (not!),* 95 EUR. BUS. REV. 15, 17 (1995). Guests may not bring outside food and beverages into the Parks at EDL. *See FAQ*, DISNEYLAND PARIS, http://us.disneylandparis.com/faq/index.xhtml?# (last visited Mar. 2, 2013). Disney permits guests to bring outside food and beverages into the Parks at Walt Disney World, but not at Disneyland. *See Disney Theme Parks & Water Parks—Frequently Asked Questions*, WALT DISNEY WORLD, https://disneyworld.disney.go.com/faq/parks/outside-food-and-drink/ (last visited Mar. 2, 2013); *see also FAQ: Dining*, DISNEYLAND RESORT, http://disneyland.disney.go.com/faq/dining/#dining-q5 (last visited Mar. 2, 2013).

166 *See* EISNER, *supra* note 4, at 280. Disney executives increased hotel prices in 1989 above the initial plan because they determined the rooms' quality and amenities made it reasonable to charge an extra $20-30/night. Eisner refers to the added construction costs from additional amenities and the resulting rental price increases as a "self-perpetuating cycle of enthusiasm and optimism." *Id.*

commute to the Resort, rather than pay EDL's inflated hotel rates.[167]

Its initial efforts to please the French palate aside, perhaps the clearest example of Disney's misunderstanding French culture is the way it approached food and beverage throughout EDL. Disney incorrectly assumed that the French would want only croissants and coffee for breakfast in the hotels, and was wholly unprepared when it turned out they wanted full, seated breakfasts.[168] And while the food was supposedly better in EDL than at Disney's other Resorts,[169] the menus were too complicated and pricey for guests who wanted quick service meals in lieu of France's traditional, sit-down repasts.[170] But Euro Disney's greatest offense was its decision to uphold Disney's then-longstanding policy of prohibiting alcohol in the Magic Kingdom.[171] For the French, who view wine as an important part of everyday life, the alcohol ban exemplified the American company's incompatibility with—and insensitivity to— French culture.[172] These instances demonstrate Disney's failure to ascertain the true interests of its negotiating partners, the French guests. Disney made assumptions where it should have asked questions, with the result that the French did not welcome the Resort's construction from the outset, and were not won over during the initial operating period.

Arguably, the most significant factor in Disney's failure to find favor with the French people was its arrogance. The interviews in *Le Figaro Economique* quoted Euro Disney executives making such comments as "There is a world of difference between Disney and others. . . . There is Disney, Disney, Disney, Disney and the others. We are already the best."[173] In a country filled with beautiful, historic castles, the Americans were claiming, "We're building something immortal, like the pharaohs built the pyramids."[174] Dis-

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167 Mills, Debono & Debono, *supra* note 45, at 309. As a result, EDL's initial hotel occupancy averaged only 55%. *Id.*

168 *Id.*

169 *Id.*

170 Eisner, *supra* note 4, at 283.

171 *Id.* In this instance, "Magic Kingdom" refers generally to the Magic Kingdom at Walt Disney World, Disneyland Park at Disneyland, and Tokyo Disneyland at Tokyo Disney. Disney has now broken from that policy at Be Our Guest Restaurant, located in the Magic Kingdom at Walt Disney World, which serves wine and beer. *See Be Our Guest Restaurant: Menu*, Walt Disney World, https://disneyworld.disney.go.com/dining/magic-kingdom/be-our-guest-restaurant/menus/ (last visited Mar. 2, 2013).

172 *See* Riding, *supra* note 120, at A13.

173 Eisner, *supra* note 4, at 281 (internal quotation omitted).

174 *Id.* (internal quotation omitted).

ney came to France convinced its success was assured. Perceiving itself as the stronger negotiator, it failed to reach out to the party across the table. And for a culture that yearns for recognition of its international importance,[175] such arrogance as Disney displayed could only lead to one conclusion: The French guests ended negotiations, and Euro Disney nearly went bankrupt.[176]

### D. *Renegotiation: Mickey Takes French Lessons*

After a year of troubled interactions with the French people, Disney then "reopened" negotiations by endeavoring to correct its mistakes. First, Disney learned that an American fluent in French is still an American. Despite his connections with the French culture, Fitzpatrick failed to bridge the cultural gap as Euro Disney president and (later) chairman,[177] arguably because the French can "never really be comfortable with foreigners who are not fully assimilated."[178] So, in 1993, Euro Disney appointed Philippe Bourguignon, a Frenchman, to succeed Fitzpatrick as the new chairman and charged him with overcoming the cultural disconnect.[179] Bourguignon responded to his task by fostering dialogue with the Cast Members. Between 1994 and 1996 he had breakfast with the staff twice a week to learn from them how he could improve the Resort.[180] Under Bourguignon, Euro Disney also adapted its work practices to become more French—it recognized standard French employee classifications, set a maximum work week, and annualized hourly work schedules.[181] The combination of soliciting the Cast Members' opinions and creating a more traditionally French workplace greatly improved intraorganizational relations.

Having negotiated successfully with the Cast Members, Bourguignon next sought to win the French guests' favor by dem-

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175 *See supra* note 138.

176 *See supra* text accompanying notes 54–56.

177 Fitzpatrick was named Euro Disney's chairman in 1992 when Philippe Bourguignon was appointed as its president. E. Tempest, *French Dip: With Attendance Lagging, Euro Disney will Step up Marketing in France*, L.A. TIMES, Sept. 16, 1992, at 2.

178 COGAN, *supra* note 103, at 126 (internal quotation omitted).

179 Bourguignon succeeded Fitzpatrick as chairman effective April 12, 1993. James Bates, *When in France, Do as the French: Euro Disney: Theme Park Operator, in Apparent Response to Soft Attendance, Elevates a Native Son to Chairman*, L.A. TIMES, Jan. 16, 1993, at 1.

180 *The Kingdom Inside the Republic, supra* note 57, at 66–67.

181 LAINSBURY, *supra* note 14, at 136.

onstrating awareness of their interests and priorities. This meant cutting prices: He slashed Park admission for adults in the high season by 20%, offered numerous special promotions in the winter months, and reduced the cost of the least expensive hotel rooms by a third.[182] Moreover, Bourguignon gave Paris-area residents a special 30% admission discount.[183] Under the Frenchman's command, advertising for EDL changed its focus to target adults—new ads depicted parents' responses to seeing their children's happiness and groups of adults sitting tensely before riding Space Mountain: Mission 2.[184] Euro Disney also began tailoring its promotions to individual national markets. Between 1994 and 1996 it opened offices in London, Frankfurt, Milan, Brussels, Amsterdam, and Madrid, each of which customized vacation packages for the regional audience.[185]

Further, Bourguignon strove to correct the American company's misperceptions of French consumption habits. Rather than the "tastefully embroidered" merchandise that Euro Disney had been selling (assuming European guests would prefer apparel more like the designer goods they typically purchased), Euro Disney started vending the same unapologetically cartoonish shirts, hats, and backpacks that Disney sells in America.[186] Bourguignon also encouraged Euro Disney to revamp EDL's well-intentioned, but inappropriate menus, declaring, "people do not come to the park for a gastronomic experience."[187] Euro Disney executives eventually realized that trying to recreate Europe's epicurean culture at the Resort was a mistake: "We know that Americans don't want us to open a French restaurant in New York or Los Angeles that serves a double patty cheeseburger . . . and that the French don't want us to come over there and do crepes. . . . They want us to do what we do."[188] Even so, Euro Disney also demonstrated a willingness to accommodate its new locale by departing from its normal

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182 *The Kingdom Inside the Republic, supra* note 57, at 66–67.

183 Mills, Debono & Debono, *supra* note 45, at 309.

184 *The Kingdom Inside the Republic, supra* note 57, at 66–67. Space Mountain: Mission 2 is an attraction in Disneyland Park that features a "supercharged canon" [sic] that takes guests on a "warp-speed ride into the unknown." *Discoveryland: Attractions: Space Mountain: Mission 2*, DISNEYLAND PARIS, http://us.parks.disneylandparis.com/disneyland-park/lands/discoveryland/attractions/space-mountain-mission2.xhtml (last visited Mar. 1, 2013). Space Mountain: Mission 2 is similar to Space Mountain at Walt Disney World. *See Attractions*, *supra* note 80.

185 *The Kingdom Inside the Republic, supra* note 57, at 66–67.

186 *Id.*

187 *Id.* (internal quotation omitted).

188 LAINSBURY, *supra* note 14, at 134 (quoting Michael Eisner) (internal quotation omitted).

practices—it broke from Disney's longstanding policy and allowed alcohol into Disneyland Park.[189]

Euro Disney began to understand that the European guests came to EDL to experience Disney, not Disney's version of Europe. And EDL began to win the guests' favor because it started responding to the desires they expressed, rather than forcing upon them what it assumed they wanted. Some of these changes seem comparatively small, such as an increase in morning room service to compensate for the shortage of available breakfast seating.[190] Others reveal a greater level of empathy, such as the Resort's newly created festivities for European holidays like Bastille Day and Oktoberfest.[191] But perhaps the most telling of Euro Disney's active attempts to improve intercultural relations was Euro Disneyland's October 1, 1994 official renaming to "Disneyland Paris."[192] Eisner offered this insight into the decision to rename EDL: "As Americans, we had believed that the word 'Euro' in front of Disney was glamorous and exciting. For Europeans, it turned out to be a term they associated with business, currency, and commerce. Renaming the park 'Disneyland Paris' was a way of identifying it not just with Walt's original creation but with one of the most romantic and exciting cities in the world."[193] With this decision, Disney finally did what an international negotiator should do: It cast off its stereotypes and assumptions, investigated and empathized with its counterparty's interests, and reached a mutually acceptable, culturally integrative solution.

## IV. Conclusion: Advice on Expanding the Empire

Looking back on the EDL venture, one wizened Euro Disney official commented, "If we had to do it over again . . . we'd probably think twice—not only about setting up shop in France, but about our approach to exporting Disney abroad altogether."[194] Contrasted with the widespread optimism expressed prior to the Resort's opening,[195] this remark raises the question whether the Disney model can—and should—be integrated into cultures vastly

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189 *The Kingdom Inside the Republic, supra* note 57, at 66–67.

190 *See* Lainsbury, *supra* note 14, at 134.

191 *Id.* at 132.

192 *See supra* note 6.

193 Eisner, *supra* note 4, at 292.

194 Michaud, *supra* note 43, at *1 (internal quotation omitted).

195 *See supra* notes 48–50 and accompanying text.

different from the American one in which it was developed. Disney's experiences prior to EDL argue that Disney has truly universal appeal. Disneyland and Walt Disney World both attract visitors from across the globe, and Tokyo Disney is an undisputed success.[196] But with Disney's Parisian experience to demonstrate its fallibility, and in light of its recently-opened Resort in Hong Kong and soon-to-open Resort in Shanghai,[197] it is appropriate to query whether the Disney image really is a global commodity. The answer to this question could be "yes" if Disney hones its intercultural negotiation techniques. Though directed particularly at Disney, the following advice is relevant for any multinational firm.

For Disney to succeed in global operations, it must avoid cultural stereotypes. It must base decisions on what it learns about other cultures, not what it assumes about them. As the successful appointment of Philippe Bourguignon as head of Euro Disney demonstrates, Disney should rely upon cultural natives to educate it about what will succeed in the host culture. The implications of this statement extend beyond mere market research—bestowing real decision-making power on members of the local culture will enable Disney to make the most culturally-appropriate decisions.

Disney must also strike a balance between adapting to the host environment and sacrificing its corporate identity. While the alcohol ban, for example, was a longstanding Disney policy,[198] it was also an ethnocentric one: Deeming alcoholic beverages to be not "family-friendly" is arguably inappropriate in a society that seamlessly integrates alcohol into family life. When faced with such cultural gaps, Disney should reevaluate its policies and determine whether they are actually fundamental to its corporate image, or merely fundamental to its corporate image *in the United States*, based on what the American culture deems appropriate. Those adaptations that do not undermine what is essentially "Disney" should be made in the name of cultural integration. Making concessions that are not truly adverse to Disney's interests helps to bridge the cultural gap, and allows Disney to stand firm in negotiating those issues that really do implicate its values.

Finally, Disney should negotiate with awareness that even it, a veritable empire, is fallible. A modicum of humility will serve Disney better than the abundance of bravado that Disney executives

196 *See supra* note 35 and accompanying text.

197 Hong Kong Disneyland opened on September 12, 2005. *Annual Report*, *supra* note 2 at 11. Shanghai Disney Resort is currently targeted to open during the calendar year 2015. *Id.*

198 *See supra* note 171 and accompanying text.

exhibited in the EDL negotiations. Disney should focus on offering the high quality products and experiences the world has come to love, but should also recognize that such love—and the profits that accompany it—must be earned and deserved. Michael Eisner urged Disney officials to adopt the attitude of "[w]e will try hard and we hope you will like us."[199] Though Disney has rejected Eisner's leadership,[200] to succeed in its international negotiations, Disney should embrace his refrain.

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[199] EISNER, *supra* note 4, at 281 (quotation marks omitted).

[200] *See* Laura M. Holson, *A Quiet Departure for Eisner at Disney*, N.Y. TIMES, Sept. 25, 2005, at C6 (noting Eisner was "stripped of his chairman's title" in 2004 after a "shareholder revolt" and ultimately left Disney in 2005).