THE BROOKINGS INSTITUTION

1775 Massachusetts Avenue, NW Washington, DC 20036-2188
Tel: 202-797-6000 Fax: 202-797-6004
www.brookings.edu

U.S.-FRANCE ANALYSIS SERIES
May 2003

France and Globalization in 2003

Sophie Meunier, Princeton University

French wines and bottled water, poured down the drain in the United States under the watchful eye of the media, were some of the first casualties of Franco-American diplomatic clashes over Iraq. How ironic, then, that this year's Group of Eight (G8) summit should take place in Evian, France, home of the world-famous eponymous water. The June summit addresses the question of how to re-launch economic growth and, under French President Jacques Chirac's impetus, the search for ways to craft a "more responsible, more secure and more democratic globalization."[1] Despite this nice rhetoric, however, the summit is acting as a magnet for anti-globalization activists, as have recent such summits from Birmingham in 1998 to Genoa in 2002. This year, the activists have chosen the illegitimacy of the G8 as their official theme for mobilizing protest. Thus, beyond being the first true test of Franco-American relations in the postwar period, the 2003 G8 summit is also interesting for observers of French society and politics, because it may force France to confront its own uncertain and often contradictory discourse about globalization.

A Major Player in Globalization

Far from a victim of globalization, France is actually one of its major beneficiaries. Evian itself is a symbol of a French economy thriving thanks to globalization. Evian is owned by Danone—the world's largest distributor of fresh dairy products and bottled water, and the second largest in terms of cookies and cereal products with sales in 120 countries and a turnover in 2002 of over 14 billion euros.[2]

Like Danone, many other French companies have been transformed by globalization—and have found ways to use the opportunities offered by an expanding world market to their advantage. Indeed, in spite of its reputation for protecting state-run, uncompetitive firms, France has fostered an impressive roster of large, dynamic corporations led by a new breed of young and aggressive corporate leaders. In the Forbes 2003 ranking of the world's "best" companies,

[1] "Chirac: le G8 doit donner une nouvelle impulsion à la croissance," Agence France Presse, 29 April 2003.

[2] Source: http://www.groupedanone.fr.

France held the number two spot for the first time with 34 companies, well behind the US (156 companies), but ahead of Japan (25), the UK (22) and Germany (18).[3]

Table 1: French Companies among Forbes' "World's Best Big Companies"

Company Name	Industry	Sales ($mil.)
TotalFina Elf	Energy	107,673
Carrefour	Wholesale and retail	72,170
Peugeot	Transportation equipment	57,165
BNP Paribas	Banking and securities	48,921
Suez	Banking and securities	48,397
Renault	Transportation equipment	38,159
Société Générale	Banking and securities	31,233
Publicis	Advertising	25,989
Finatis	Wholesale and retail	24,884
Rallye	Wholesale and retail	24,851
Casino	Wholesale and retail	23,987
Alstom	Electronics and defense	20,441
CNP Insurance	Insurance	20,009
Vinci	Construction	18,481
Orange	Telecommunications	17,940
Michelin	Transportation equipment	16,428
L'Oreal	Consumer goods	15,016
Havas	Advertising	13,920
Lagardère	Media and entertainment	13,882
Christian Dior	Textiles and Apparel	13,829
LVMH	Textiles and Apparel	13,328
Sodexho Alliance	Wholesale and retail	12,396
Thales	Electronics and defense	11,682
Thomson	Electronics	10,700
Valeo	Transportation equipment	10,294
Natexis Banques Populaires	Banking and securities	8,553
Air Liquide	Chemicals	8,295
Castorama Dubois	Wholesale and Retail	8,172
Sanofi-Synthelabo	Healthcare	7,821
Accor	Transportation and tourism	7,497
STMicroelectronics	Electronics and defense	6,298
Bolloré investissements	Shipping	5,751
Galeries Lafayette	Wholesale and retail	5,744
Pernod Ricard	Food and beverages	5,077

Source: *Forbes Magazine*

[3] Source: "The World's Best Big Companies," *Forbes*, 10 April 2003, http://forbes.com/lists/2003/04/09/aland.html, based on five-year sales, profit and return on capital data, as well as recent stock market performance and analysts' earning estimates. See also "34 entreprises françaises distinguées par le magazine Forbes", *Le Monde*, April 8, 2003.

Globalization is changing French corporate culture dramatically. The recent wave of mergers and acquisitions that French firms have used either to acquire foreign firms or to prepare to compete with them in a less protected home market receded in 2002 under the onslaught of a harsh global economic and political climate. Last year's spectacular debacle of Jean-Marie Messier and his ambitious strategy of overseas expansion at Vivendi Universal also contributed to a more cautious approach with France towards mergers and foreign direct investment (FDI). France remains, however, one of the world's largest investors. French companies are not only acquiring assets abroad, but France is also becoming more open to overseas investors at home, overcoming its traditional aversion to foreign control even in key sectors like banking. FDI in France rose 26% in 2001 to a level of $53 billion, while during the same period FDI in advanced industrialized countries as a whole dropped by nearly 50%.[4] France was the world's third most attractive location for FDI in 2001, after the United States and the United Kingdom. Foreign corporations, mostly from North America and Western Europe, now account for a sizeable share of economic activity in France: 17% of French production and 15% of employment.[5] Foreign investment represents now 4% of France's GDP, compared with 3.3% in 2000 and one out of three French workers are now employed by a firm owned at least in part by foreign capital.[6]

The full participation of France in the global economy has occurred in spite of a traditional French distrust of market forces. The French state remains heavily involved in the economy and the heavy hand of state regulation continues to hamper French competitiveness. Corporate taxes still rank among the highest in Europe and structural rigidities in the labor market continue to limit corporate flexibility. Interestingly, the famous 1998 law limiting workers to a 35-hour week, which may have scared off many potential investors, has led to more flexible working patterns and greater productivity. As for the former socialist government's "law on social modernization" (*loi de modernisation sociale*) passed in 2001 in the wake of the uproar surrounding layoffs and closures by profitable large corporations (Michelin, Danone and Marks & Spencer), the parliament voted in December 2002 for an 18-month temporary suspension of all its provisions relating to layoffs.[7]

Many rigidities still remain and, given the current global economic context and the tendency for French workers to demonstrate when displeased by government policy, one can expect the Raffarin government to err on the side of caution when starting to tackle reforms, such as the pension system, education, and corporate taxation. As for privatizations, the Raffarin government made clear that the state will eventually get out of all competitive sectors of the economy, except when strategic interests are at stake. Among the future candidates for

---

[4] Source: UNCTAD World Investment Report 2002.

[5] Michèle Debonneuil and Lionel Fontagné, *Compétitivité*, Conseil d'Analyse Economique, Report No. 40, Paris: La Documentation Française, 2003.

[6] "Boom des investissements étrangers en France", *Le Figaro*, December 12, 2002 ; Béatrice Jérôme, "Les investissements étrangers ont créé plus de 22 000 emplois en 2002," *Le Monde*, 16 May 2003.

[7] See Gordon and Meunier, *The French Challenge: Adapting to Globalization*, Brookings Institution Press, 2001, Chapter 4.

privatizations are Air France, Sanef (highways in the North-East of France), France Telecom, and Electricité de France.

A Player in the Anti-Globalization Movement

Yet in spite of this key role played by France in promoting globalization and by globalization in modernizing France, the country seems to have locked itself up in an anti-globalization discourse. For the past few years, before France came to be known as the champion of the anti-war position and of Western-style anti-Americanism, it had become one of the homelands of the anti-globalization movement worldwide. Remember that France is the country of José Bové – sheep farmer turned McDonalds' wrecker and who, in the process, became a world famous anti-globalization activist. France is also home to ATTAC, a very vocal organization originally designed to promote the so-called "Tobin tax" on financial transactions, but which has since become a powerful anti-globalization lobbying organization present in over 30 countries. Intellectuals in France have long denounced the cultural and economic shortcomings of US-led globalization, and newspapers and other media outlets have endlessly documented how France is threatened by foreign entertainment, customs, and values. French politicians understand that criticizing globalization "sells" in France and, therefore, both on the Left and on the Right, political speeches abound in criticisms of a phenomenon that gets much less attention in other European countries and in the United States.

While the French economy has adapted to globalization, this adaptation has taken place quietly, as if the only version of globalization that the French could tolerate was "globalization by stealth."[8] For years, both former socialist prime minister Lionel Jospin and conservative president Jacques Chirac took major steps in ensuring that France be well positioned to take advantage of the opportunities offered by globalization, but both of them covered their tracks by holding a very public discourse about the need for globalization to be "managed" (Jospin) and "humanized" (Chirac). On the left as on the right, the public discourse of most of the political parties emphasizes more the scandals (Vilvoorde) and debacles (Vivendi) of globalization than its success stories (LVMH or Paribas).

Over the years, this anti-globalization rhetoric has become insidiously influential on French society, media and politicians. The main success of the anti-globalization movement has been to define the terms of the debate. They have created an atmosphere of distrust of the globalization process so widespread that French now appear to share a *pensée unique* on globalization.

The Electoral Consequences of Anti-Globalization

Yet this schizophrenia about globalization, innocuous as it may seem, has real political consequences. The inability of the Jospin government to be upfront about the challenges of globalization and to align its rhetoric with its actions helps explain the shocking results of the 2002 presidential election, in which a far-right candidate, Jean-Marie Le Pen, outpolled Jospin and passed into the second round.

---

[8] Gordon and Meunier, *The French Challenge*, Chapter 2.

First, France's anti-globalization schizophrenia helped splinter the Left. Large numbers of votes went to Trotskyist candidates and to former Socialist minister Jean-Pierre Chevènement, all overt adversaries of globalization. In contrast, the mainstream Left's candidate's, Jospin, talked the talk of anti-globalization, at least a mild-mannered way, but his government had made few efforts to oppose the tide, and in fact, seem as intent on neo-liberal reforms as the center-right government that preceded it. Why vote for a pale, hesitant copy when you can get the original?

Second, the omnipresent critiques of globalization in recent years have focused on the powerlessness of the state in the face of global constraints. If citizens feel that it is Brussels or stateless transnational investors, rather than their national policymakers, who control the levers of the economy, why bother to choose between the Left and the Right? This explains the record-breaking rate of abstention and protest vote in the first round, which in turn helps explain Le Pen's upset of Jospin.

Third, the fact that this obsession with globalization was not accompanied by a real debate on the issue during the campaign—one that would have pointed out to the vices as well as virtues of globalization—further legitimized the far Right's traditional image of a France threatened by the outside world.

Finally, the debate on globalization has contributed to the confusion of the traditional political categories of Left and Right. Indeed globalization has the potential to become the new fault line in French domestic politics, one that divides the advocates of a "société ouverte" from those of a "société fermée"—an "open society" ready to benefit from the broader cultural horizons and consumption possibilities that globalization has to offer, versus a "closed society" unable or unwilling to enjoy these benefits while nonetheless suffering from its plagues: unemployment, pauperization, loss of identity.[9] We already see this new cleavage at play in the way French parties are trying to redefine themselves in the wake of the 2002 electoral earthquake. It is not clear, however, that the parties have drawn the right lessons from the elections. The Socialist Party seems tempted to give in to its Left and to reinforce its anti-globalization discourse, while Chirac pursues his strategy of advocating "globalization with a human face" (*mondialisation humanisée*).

According to one opinion survey, French worries about globalization, already very high compared to their European neighbors, are still on the rise. Today 63% of the French population feels "worried" about globalization (against 55% in 1999), whereas only 10% feel "confident" (against 21% in 1999) and 2% "enthusiastic" about globalization.[10] These figures suggest that the issue of globalization will not soon disappear from the French political landscape.

[9] See Pascal Perrineau, *Les Croisés de la Sociéte Fermée*, Paris: Editions de l'Aube, 2000.

[10] Nicolas Weill, "Vers la fin de la 'mondialisation heureuse'? ," *Le Monde*, 8 October 2002. The poll was by the French public opinion firms CSA on 24-25 September 2002.

Globalization and France's Global Role

On the eve of the summit of the G8—an institution often seen as made up of the primary motivators and beneficiaries of globalization—the process of globalization and many of the international institutions that underpin it appear under threat. The Iraqi diplomatic crisis weakened the very concept of international institutions and, more specifically, seriously eroded American willingness to accommodate their existence. As a result, the United States may embark on a retrenchment, both in the political and economic spheres. This might compromise the trend towards further neo-liberal globalization—already international trade grew at a scant 2% in 2002, compared with 10% the year before. Free trade is not a position that enjoys widespread support across the political spectrum in the United States. Indeed, before September 11, it appeared uncertain that President Bush would win the executive authority to negotiate international trade agreements without being subject to Congressional amendment after the fact, so-called fast-track authority. In the event, he did so only by the slimmest of margins.[11]

State intervention and protectionism are making a comeback, in the United States and elsewhere, as evidenced in the recent disputes over agriculture and steel. If the Bush administration, following the model they pioneered during the Iraqi crisis, were to circumvent international institutions and pursue its goals unilaterally in, for instance, matters of trade, the French economy would be directly affected.

This scenario is hardly pre-ordained, but the point is that globalization has made France more susceptible and vulnerable to the vagaries of the international economy. The paradox for France is that even though it amplifies the chorus of voices critical of globalization, the country actually needs globalization. When faced simultaneously in Evian with the vocal protests of anti-globalization activists and the threat of a retreat from globalization and a possible American retrenchment, France may get one step nearer to being forced to confront its own uncertain and often contradictory discourse about globalization.

---

[11] Fast negotiating authority passed in the House of Representatives on December 6, 2001 by a one vote margin, 215-214.