CHAPTER ONE

How Globalization Challenges France

In August 1999 a forty-six-year-old sheep farmer named José Bové was arrested for dismantling the construction site of a new McDonald's restaurant in the southern French town of Millau. He acted, he argued, in protest against U.S. retaliatory trade sanctions against European products (notably, French cheese) and the uncontrolled spread of free market globalization. By attacking McDonald's, and getting himself photographed in handcuffs in the process, the publicity conscious Bové was striking out at the symbol of U.S.-inspired globalization, a perceived threat to French identity and culinary traditions. A few months later Bové built on his fame by smuggling huge chunks of Roquefort cheese into Seattle, where he was among the leaders of the antiglobalization protests against the World Trade Organization summit in November.

Bové's crusade against globalization struck a chord in France. He became an instant media celebrity and was widely compared to Astérix the Gaul, the popular French cartoon character who led his tiny village in resistance against the Roman occupiers.[1] By blending culture and agriculture, trade and identity, resistance to American hegemony and the French tradition of popular rebellion, Bové came to symbolize a France that felt threatened by globalization. Public opinion surveys showed why his message was so popular. In a range of recent polls, 72 percent said they felt "suspicious" of globalization, 65 percent perceived it as a direct cause of a worsening of growing social inequality, 56 percent said it threatened French identity, and 55 percent saw it as a threat to French jobs and companies.[2] In a poll taken at the time of Bové's trial, in June 2000, 45 percent said they "supported" or "felt sympathy" for him (with only 4 percent "opposed" or "hostile"), and 51 percent said they agreed with his positions on economic and financial globalization (as against 28 percent who did not agree).[3] Large majorities (75 percent and 65 percent, respectively) said they agreed with Bové on the issues of defending small farms and avoiding *la malbouffe*—a neologism that conjures up the image of bad, processed, and unhealthy food.[4]

Bové's antics, and his unquestionable talent for attracting the attention of the worldwide media (ironically, taking advantage of one aspect of globalization itself), have helped provoke a debate both within France and beyond about the pros and cons of a world in which financial, commercial, human, cultural and technology flows are faster and more extensive than ever before. In France, this actually began in the early 1990s as a debate about European integration (which also meant ever freer movements of capital, goods, and people). By the end of the decade, however, globalization had become the omnipresent topic—spurred on by some much publicized factory closings by multinational companies in France; the debate over new technologies, such as the Internet, and new sciences, such as biotechnology; World Trade Organization (WTO) rulings allowing sanctions against traditional French products like cheese and foie gras; and the spread of "mad cow" and foot and mouth diseases from the United Kingdom. French bookstores have in recent years become filled with (most often critical) titles about globalization, including Viviane Forrester's bestsellers *The Economic Horror* (which sold 350,000 copies in France) and *A Strange Dictatorship* and Bové's *The World Is Not for Sale*.[5] French television regularly airs programs with titles like "Globalization: The Counter-Attack," "The Other Globalization," and "Globalization: Yes or No?"[6] The French daily *Le Monde* published 2,375 separate articles with references to "globalization" during 1999 and 2000 (as compared with 705 in the *New York Times* during the same period), and French president Jacques Chirac has given no fewer than 163 speeches on globalization since his mandate began in 1995.[7] References to France and globalization in the European press also grew exponentially during the 1990s, rising from just one in 1990 to sixteen in 1995, 384 in 1999, and 451 in 2000.[8] Numerous French intellectuals, politicians, and interest groups have joined a national debate about the effects of globalization, cultural uniformity, and Americanization, helping to force the issue onto the public agenda and shaping the image of France around the world.[9]

Not surprisingly, in a country where people traditionally look to the state for guidance and protection, French politicians have felt obliged to address globalization in their political programs and pronouncements. While only the extremes of the political spectrum have called for the process (somehow)to be halted, mainstream politicians from the Left and the Right have argued for measures to regulate and temper some of its perverse effects. Both socialist prime minister Lionel Jospin and conservative president Chirac often speak of the need for alternatives to unregulated markets of goods, money, and people and demand more "rules" to govern globalization. Jospin, even as he continues to liberalize and privatize large sections of the French economy (or perhaps, to create some needed political cover *because* he is doing so), has not abandoned his party's traditionally left-wing discourse on the necessity of "controlling market forces [and] combating the excesses of liberalism," while denouncing "the dangers of unbridled globalization driven by jungle capitalism."[10] Chirac, while on the political Right, was in fact elected in 1995 on a platform stressing the state's role in ensuring social protection and help for the least advantaged members of society. He, too, warns against uncontrolled markets and has complained about the sacrifices French workers must make "to safeguard the investment benefits of Scottish widows and California pensioners."[11] Chirac is also a strong advocate of international agreements to manage the geopolitical effects of globalization and insists on the need to preserve France's unique role in a world dominated by the chief proponent of globalization, the United States.[12] Finally, practically all French leaders agree on the need for measures to preserve cultural diversity in the face of globalization's harmonizing influences. "Cultural uniformity," Foreign Minister Hubert Védrine has made clear, is something that France "cannot accept."[13]

The Bové phenomenon, together with the public opinion numbers, political rhetoric, and media discussion, might make it seem fair to conclude that France is experiencing a backlash against globalization and even taking the lead in a growing international movement to slow or contain it.[14]

To an extent this is true. As this book shows, the French really do worry about the effects of globalization on their society, economy, and culture and they are receptive to proposals to regulate the phenomenon.

But this is only half, and perhaps the least interesting half, of the story. The full story about France and globalizationis that the very phenomenon that is causing so much anxiety among the French is at the same time profoundly transforming France's economy, society, and political system, often in very positive ways. For the apparent paradox at the heart of this book is that France is resisting globalization (sometimes loudly) and adapting to it (far more than most people realize) at the same time.

The greatest example of globalization's impact on France, and of France's adaptation, is in the economic domain. The nature of the French economy has changed radically over the past two decades, and especially in the past few years. Breaking with its mercantilist and *dirigiste* past, France has since the early 1980s converted to market liberalization, both as the necessary by-product of European integration and globalization and as a result of deliberate efforts by policymakers. For example, whereas the French state used to own large sectors of the economy partly to keep them out of foreign control, a Socialist-led left-wing government coalition is now proceeding with privatization, allowing foreign companies to purchase large or even majority shares in formerly state-owned companies. Prime Minister Lionel Jospin may prefer the euphemism "private sector participation," but the reality is that his government has sold off more state-owned assets than the previous five governments put together. Communist transport minister Jean-Claude Gayssot's announcement of a partial sell-off of Air France in February 1998 was a telling symbol of how much France has changed. Whereas fifteen years ago foreign ownership of French firms was only around 10 percent, today over 40 percent of the shares on the French bourse are held abroad, and foreigners own more than half of key French companies such as Société Générale, Alcatel, and Suez.[15] Trade—exports plus imports—as a share of French GDP has increased from just 24.9 percent in 1962 to a record 49.4 percent in 1997, as high as for Germany (49 percent) and twice as high as for the United States (25 percent) and Japan (21 percent).[16]

Evidence of globalization in the French economy is even more striking when one looks at the way particular French companies are taking advantage of new international opportunities, largely through a wave of international mergers and acquisitions over which the once all-powerful state has had little influence. Just to take one prominent example, on the same day in June 2000 that France's Publicis bought the famed British advertising firm Saatchi and Saatchi, Paris-based Vivendi completed its $34 billion purchase of Seagram's, the Canadian liquor company that also owned U.S.-based Universal Studios and Polygram Records. The idea of a major Hollywood studio being owned by Vivendi, once a local French water company, is perhaps as important a symbol of the new France's adaptation to globalization as is the mustachioed Bové and his Roquefort. Many leading French companies, like Michelin, Alcatel, and Axa, make three-quarters or more of their profits abroad.[17]

Moreover, France's adaptation to the globalizing world economy is finally paying off in terms of economic performance. French economic growth has been positive since 1993 and has averaged above 3 percent for the past three years—the best performance of all the large European economies and the best growth in France for more than a decade.[18] The budget deficit has fallen to less than 2 percent, helping to lower the national debt–GDP ratio to under 60 percent and bring short- and long-term interest rates down to historic lows of 2.9 percent and 4.6 percent, respectively.[19] The stock market, buoyed by the inflow of capital from abroad, rose by 51 percent in 1999, and in 2000, while nearly all other major European and North American markets were tumbling, held its ground.[20] The trade balance has been in surplus for five of the past six years (the exception being 2000, because of rising energy prices), and inflation is practically nonexistent. Perhaps most important, unemployment—the blight on French economic performance for nearly thirty years—has fallen to single digits (8.7 percent) for the first time in a decade, with the creation of more than 500,000 new jobs in 2000, the greatest percentage gain in jobs since 1970 and the most ever in a single year.[21] France thus began the new century in a more favorable economic situation than it had seen for more than thirty years.[22]

A Working Definition of Globalization

What, precisely, do we mean by "globalization," and what do the French mean by it? In this book, globalization refers to the increasing speed, ease, and extent with which capital, goods, services, technologies, people, cultures, information, and ideas now cross borders. Some have questioned whether there is really anything new in all of this, and they are right to point out both that the globe has been "shrinking" for centuries and that earlier periods—for example, from the 1880s to the 1910s—also saw great increases in international human and economic exchange.[23] But the acceleration of the phenomenon over the past two decades, and in particular since the early 1990s, has been undeniable, as are the differences with earlier such eras.

As Thomas Friedman and many others have pointed out, whereas trade and investment as shares of GDP may not be at much higher levels than they were at the end of the nineteenth century for certain countries, the degree, intensity, speed, volume, and geographic reach of globalization today far exceeds anything that has come before.[24] Today's globalization can be measured by the $1.5 trillion that moves around the world electronically every day; the nearly $1 trillion of foreign direct investments that were made in 1999; the annual international trade flows of some $7 trillion; the $720 billion of global mergers and acquisitions for 1999; the existence of 63,000 transnational companies with 690,000 foreign affiliates; the 3 million people who cross international borders every day; the more than 100 billion minutes spent on international phone connections during 2000; and the 250 million people around the world who have access to the Internet.[25] All this interaction ties the world together and opens societies and economies up to foreign influences in unprecendented ways.

This openness, as is often pointed out, is due in large part to technological advances over the past few decades, and particularly in recent years.[26] As a result, the costs of international shipping, transportation, travel, communication, and financial interaction have all fallen, in some cases dramatically. But it is important to remember that globalization has also been driven by changes in ideas, and therefore policies. As recently as twenty years ago, much of the world—the Soviet Union, all of Eastern Europe, China, India, Southeast Asia, Africa, the Middle East, and most of Latin America—was either largely cut off from the international economy or at least highly reluctant to open borders to trade, capital, and information flows. Even in Western Europe, not all governments were yet persuaded of the beneficial effects of free trade, capital and investment flows. Today, however, while there is still a range of views on the best way to implement modern capitalism, the thinking about international openness is dramatically different. Not only has the European Union completed its single market and ended all restrictions on capital flows (no longer opposed even by governments of the Left), but leaders of huge parts of the international economy—China, Southeast Asia, Latin America, Eastern Europe, and Russia—are now convinced that openness to trade and foreign investment are in the best interests of their countries. While there is no guarantee that this trend will go on forever—previous periods of economic openness, after all, have been reversed—there is no doubt that it has already progressed quite a long way, and few signs that it is running out of steam.

It is important to keep in mind that "globalization" actually encompasses many distinct, if related, developments, not all of which are driven by the same forces or proceed (or recede) at the same pace. As Robert Keohane and Joseph Nye have pointed out, it has distinct economic, military, environmental, social, cultural and political components.[27] They note, for example, that economic globalization progressed between 1850 and 1914 but receded between 1914 and 1945, while many aspects of military and social globalization progressed between 1914 and 1945.[28] Similarly, the effects of the different strands of globalization can vary considerably: economic globalization might force once-protected industries to compete or affect the relative return on labor or capital; informational globalization (via the Internet, for example) might undermine the control of authoritarian governments; military globalization (the growing ability to project forces and military power around the world) might enhance the global influence of the United States; and environmental globalization might make populations more vulnerable to disease, pollution, or other environmental issues that originate beyond their own borders.

In the chapters that follow, we try to keep these distinctions in mind and make clear in each case which aspects of this wide-ranging phenomenon are relevant to the discussion. At the same time, particularly when discussing French reactions to globalization, one must recognize that most people do not distinguish among these various elements and often think of globalization as a single phenomenon that cannot be accepted or rejected in part. Many of the different strands of globalization do, in fact, come bundled together. Thus we try to balance the need to disaggregate a complex phenomenon with the need to see globalization as a package of closely related developments that cannot be discussed in isolation from one another.

Finally, it is impossible to discuss the way globalization affects France and the way the French react to globalization without noting the equation made by many in France between "globalization" and "Americanization." To be sure, there are many products, both good and bad, of globalization in France—sushi, "reality television," low-priced manufactured imports, mad cow and foot and mouth diseases, and intra-European foreign direct investment, to name just a few—that have nothing to do with the United

States. In this sense, the equation is highly misleading. Yet it is also true that globalization often comes with an American face—because of the role of the English language in global culture and business, the size of the U.S. economy and its large share of world trade and investment, Americans' comfort with the liberal economic practices associated with economic globalization, and the United States' unique power to project military force and diplomatic influence abroad. This is one of the reasons why globalization poses particular problems to France, which has long competed with the United States for world influence and, like the United States, has always seen itself as something of a model for the rest of the world. These are important factors to keep in mind in assessing the French reaction to globalization.

Why Globalization Is a Particular Challenge for France

France is hardly the only country where globalization has become both a political and a public issue. Particularly since the WTO debacle in Seattle (followed a few months later by further protests at the January 2000 meeting of the world's leading industrialists at the World Economic Forum in Davos, Switzerland), consumer groups, environmentalists and human rights activists all around the world have brought attention to the dangers of unchecked globalization—such as the undemocratic nature of the trade regime, the social failures of the free market, and the real risks of environmental degradation. From the United States to Japan, from Brazil to India, substantial sections of public opinion and key government leaders are now seriously questioning the effects of globalization and looking for ways to control it.

Yet if globalization is now an issue everywhere, it is a particular challenge for France for several reasons. First, it directly challenges the country's statist, *dirigiste* political and economic traditionbecause of the degree to which it requires abandoning state control over the economy—and thereby over society. As we show in chapter 2, the French economy has evolved significantly away from *dirigisme* over the past twenty years, but the process has been slow and painful and it is far from complete. Today the French still have one of the largest state sectors in Europe and they still look to the state, rather than the market, to ensure their well-being. Despite great efforts over the past few years to trim the role of the state in the economy, government expenditure still stands at 54 percent of France's GDP, a historic peak and significantly higher than in most industrialized countries. Nearly 25 percent of French workers get their paychecks from the state (compared with an average of 17 percent in the Eurozone and 15 percent in the United States).[29] All this makes it particularly difficult for the French to accept that their economic, social, and cultural fate is controlled less and less by Paris and more and more by the rest of the world. It also helps explain another phenomenon apparent in this study, the fact that France is actually adapting to the globalized world economy to a far greater degree than French leaders—who must maintain the notion that the French state is still in control—are prepared to admit.

The second reason globalization is so difficult for France is that the French are strongly attached to their culture and identity, and many feelthat these are now threatened by a globalization that they equate with Americanization. This is, of course, an old theme, going all the way back to the interwar period, when French writers first started to criticize U.S. mass culture, conformity, and emphasis on material wealth. It emerged strongly again in the postwar period as the American role in Europe grew and French people on the Right and the Left worried about "coca-colonization" (a reference to the agressively marketed American soft drink's domination in France) and the "American challenge," the title of a best-selling book about the domination of American companies in Europe.[30] It has reemerged and taken on particular momentum today, however, because of the way in which new technologies and the growing ideology of free trade have helped to make societies more susceptible than ever to foreign cultural influences, and in particular to the cultural influence of the United States. The spread of the Internet and other communications technologies; trade liberalization in agricultural goods, intellectual property, and services; and the dominant role of the United States (and thus the English language) in global business all combine to make the French fear for their cultural, linguistic, culinary traditions—in short, their national identity—in a globalizing world. It was no coincidence that the publicityconscious Bové chose McDonald'sas the target for his protests.

Third, globalization challenges some of the most fundamental principles and values on which the French republic was built. Whereas the French republic is based, in theory, on rationality—the enlightened state engaged in the improvement of the collective destiny of the French people—globalization is inevitably a messy and disorderly process that interferes with the state's ability to play that role. The United States, proud of its tradition of individualism and with a population deeply skeptical of government, thrives in such a chaotic world and willingly accepts the combination of great successes and inequalitiesthat globalization creates. France, however, is uncomfortable with such a direct challenge to the notions of *égalité* and *fraternité* that, for a population that has seen its share of divisions over the centuries, are more than just slogans.[31]

The fourth reason globalization is a particular challenge for France is because it is seen to threaten the global stature and role of a country that has long prided itself on its international prominence. Whereas smaller European countries largely abandoned global geopolitics after World War II (and larger ones, like Britain, felt they could best maintain their global roles by working closely with the United States), France has never given up its desire for global influence in its own right.[32] Globalization threatens this influence, however, by reinforcing the dominance of the country that most stands in the way of France's quest for diplomatic influence: the United States. Not surprisingly, in a European public opinion survey that asked what "globalization" first brought to mind, the top French response was "U.S. dominance"—25 percent, compared with only 8 perent in Italy, 6 percent in Britain, and just 3 percent in Germany.[33] To the extent that globalization means ceding world leadership to the United States—or even limiting the country's traditional diplomatic role by ceding more power to collective organizations like the European Union or the United Nations—it is particularly difficult for France to accept.

Finally, it is probably fair to say that many in France resist globalization because they can afford to do so. Arguably, the British in the late 1970s, and to a lesser degree the Americans in the early 1980s, were willing to turn to economic neoliberalism (with the elections of Margaret Thatcher and Ronald Reagan) not only because of their more liberal political traditions but also because of the perception that their economic performance had declined so much that fundamental change was necessary. The French, however, for all their problems with inflation, and especially unemployment, never became so disgruntled with their relative reliance on the state that they were willing to abandon it, and the incentive to do so has diminished even further with the economic successes of the past several years. As French writer and analyst Dominique Moïsi put it in 1998, "France's struggle with globalization is complicated by its people's high quality of life. Most of the French feel they have little to gain and much to lose from globalization—the space and beautiful diversity of their countryside, the quality of their food and wine, and the respect for tradition. Why risk all these unique pleasures for the sake of an uncertain competition in a global world? The temptation for many Frenchmen is to retreat into the protective bubble of the good life."[34]

French foreign minister Hubert Védrine has summed up globalization's challenge to France by candidly (and euphemistically) admitting that "globalization does not *automatically* benefit France." This, he explains, is because it "develops according to principles that correspond neither to French tradition nor French culture," including free market economics, mistrust of the state, common law, the English language, individualism inconsistent with the republican tradition, and the reinforcement of the role of the United States. "France," he concludes, "must thus make an exceptional effort to adapt."[35]

This book is about this effort to adapt and its consequences. We analyze the impact that globalization is having on France's economy, cultural identity, domestic politics, and foreign relations, and concludes with an assessment of France's response to the challenge of globalization—its efforts to manage, tame, and harness globalization (*maîtriser la mondialisation*).

Chapter 2 explores the structural transformation of the French economy, driven first by liberalization within the European Union and more recently by globalization. We explain the *dirigiste* roots of French economic policy and then show how French economic policy has changed considerably since François Mitterrand finally accepted the constraints of the global market in 1983. By examining a wide variety of possible measures of acceptance to globalization and liberalization—privatization, the development of the stock market, the globalization of industry, economic openness and trade policy, monetary and exchange rate policy, taxation, labor regulations, and the integration of technology—we conclude that the French economy's adaptation to globalization has been far reaching and largely successful, even if French leaders prefer to downplay the extent of these changes because public opinion remains skeptical of liberalism and wedded to a strong state. We call this adaptation "globalization by stealth."

If the French are (reluctantly) embracing the economic aspects of globalization, they have real concerns about its impact on their culture and identity. Chapter 3 looks at the relationship between trade, culture, and identity and explains why globalization has rendered the three inseparable. We argue that the link between trade, culture, and identity has become more explicit than it was in previous decades, when trade in "regular" goods was clearly distinct from trade in "cultural" goods, and explain why France is particularly receptive to arguments that it must defend its cultural, linguistic, and culinary traditions. French fears for this proud cultural heritage are exaggerated, however, and many of the methods chosen to preserve it are futile or counterproductive. France has a strong and attractive culture that will not disappear. On the contrary, while globalization in part "threatens" French culture, it also offers new opportunities for speading it around the world (*rayonnement*).

Chapter 4 discusses how globalization is reshaping French domestic politics. In particular, we examine how globalization is contributing to the restructuring of the traditional French political spectrum and blurring the traditional differences between Left and Right. We argue that while globalization is unlikely to lead to the formation of new parties or alignments, it is nonetheless making an important informal impact by imposing new dividing lines, often with the result that the extremes of the political spectrum have more in common with each other than with their more traditional allies. Former hard-line conservative interior minister Charles Pasqua's sympathy for Leftist radical Bové's antiglobalization campaign is just one example of this phenomenon. We also examine the range of public opinion and political attitudes toward globalization and explore the effects of the antiglobalization movement on the traditional parties and their platforms. We show how even leaders who are doing much to adapt France to globalization, such as Jospin, are constrained in their ability to admit it, because of the antiglobalization movement and the French public's general attachment to the notion of an active state.

Chapter 5 explores France's efforts to "manage" or "tame" globalization (what the French call *maîtriser la mondialisation*), and the possible consequences of the French stance for the rest of the world. We show how France uses a variety of tools—the maintenance of a welfare state, the construction of a strong Europe, trade policy, international financial reform, and foreign policy—to soften the edges of the phenomenon of globalization. The French challenge is thus one of preserving the country's identity, heritage, and distinctiveness, while at the same time moving forward with the necessary adaptation to the requirements of a new economy and an interdependent world.