

The French Non: The Socialist Party, Relocations, and Economic Concerns

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A thesis submitted to the faculty of The University of Mississippi  
in partial fulfillment of the requirements of the  
Sally McDonnell Barksdale Honors College and  
The Croft Institute for International Studies.

Oxford, MS  
March 2004

ABSTRACT  
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A study that covers the factors which contributed to the French Rejection of the Treaty on the Constitution of the European Union. Using results from polling, the study looks at why the French named certain motivations, namely delocalisation, unemployment, and too liberal as justification for the No vote.

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## Introduction

On 29 May 2005, French voters rejected the Treaty on the European Union Constitution, ending a long history of collaboration between France and European Union framers that had guided European integration since its inception. Public opinion has fluctuated in the past in France on the European Union, going through periods of “eurosclerosis,” especially in times of European-wide economic slowdowns. Despite these periods of fluctuation, France has always managed to support EU integration until now. The last phase of successful EU integration by referendum was the vote on the Treaty of Maastricht (Treaty on the European Union) in 1992. European Union framers were hopeful that the new Treaty on the European Constitution of 2005 would continue this tradition to accommodate recent changes in its make up, specifically the addition of 10 new members that were former Soviet satellite states. The recent rejection of the Constitution was a major disappointment to many EU supporters.

The No vote is especially significant because of France’s history of being a leader in initiating and shaping European policy. This is relevant when one considers that the EU has no model to replicate in order to guarantee success. Therefore, the shaping of EU policy is extremely important. As Michel Gueldry, a professor of French Studies at the Monterey Institute of International Studies remarks, “To put it simply, France matters for Europe.”<sup>1</sup> One needs only look at the beginning of the European integration process to see that the histories of France and Europe are deeply intertwined. France helped found the European Coal and Steel Community in 1951 to prevent a third world war and create a successful trade area. It was European Commission President Jacques Delors (1985-

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<sup>1</sup> Michel R. Gueldry. *France and European Integration Toward a Transnational Polity*. (Westport, CT: Praeger Publishers, 2001) 5.

1995) who managed to form and eventually implement the Single Market and develop the basis for European Social Policy.

In 1992 France voted in a national referendum to accept the Maastricht Treaty guaranteeing future European Integration of which the completion of the Single Market was a main focus. Also included in this phase of EU integration was Monetary Union where a single currency was created for 12 members of the EU. These countries, including Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, are collectively called the Euro zone. The 1990s saw the beginning of accession negotiations for what eventually became the 10 new members of the European Union. Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia all became member states in 2004, making the EU the world's largest trading block with a population of around 450 million. The accession of 10 new countries was one of the key motivations that led EU framers to create a new treaty. They considered a new Constitution necessary to simplify the decision making process in the enlarged Union. The European Convention of December 2001 was established to draft the new text; it was chaired by former conservative and pro-European French President Valéry Giscard d'Estaing. D'Estaing had been responsible in the 1970s for initiating the EMS (European Monetary System which was a forerunner of the EMU (European Monetary Union). European leaders signed the Treaty of Nice, which came into effect in 2003, with the idea that it would be replaced with a Constitution; it was this Constitution that the French recently rejected in the referendum of 29 May 2006.

The new Constitution included a variety of reforms to the EU decision-making process as well as to the basic structure of the EU. Although the Constitution seems almost incomprehensible due to the complexity of the text, it is possible to recognize a number of basic changes to the EU structure. The new Constitution emphasized the policy of subsidiary mainly to guarantee that EU power comes from the member states. Subsidiary is generally the idea that areas or issues that can be dealt with at the national level should not be handled at the EU level. The Constitution also changed the old pillar system of decision making, so that policy formation would have been mostly under EU jurisdiction. The EU Parliament would have had the final decision over the budget and it would have acquired co-legislation powers with the EU council; this would have represented a significant step up from what the Parliament is currently able to do. Also, the EU would have had more control over immigration policy, and qualified majority voting would have been applied to more issues instead of requiring unanimity. Lastly, a Charter of Fundamental Rights highlighting the basic rights of European citizens such as life, liberty and the right to strike was included in the Constitution. However, this paper is not an analysis of the different structures that would have changed had the Referendum passed. Instead, it focuses on the reasons that explain why the Treaty on the European Constitution failed to pass in France and that led the French to vote against it. It specifically covers French fears that the EU is becoming a trading area that is too liberal. Fears of company relocations and unfair trade with lower wage countries also exacerbated fears of unemployment in France.

### Methodology

The concept for this paper originally started with a single question: “Why did the French reject the Treaty on the EU Constitution?” Given the public debate in the past two years, and given the discussions on the possibility of Turkey entering the Union, I thought I was going to find that the answer would be guided by these discussions. I expected to find that the answer would be a combination of several factors such as French fears of allowing a Muslim country into the Union and general discontent over the employment level. Immigration was a key topic during the 2002 Presidential elections in France where the extreme right almost won on an anti-immigration platform. Added to the anti-immigration stance is the general fear that France already has a Muslim population that is too large. The thought of Turkey entering the Union in the future could have led many to vote against the Constitution and further European integration. I thought initially that enlargement might be a factor, but since it had already taken place and because accession processes had already been taking place since the 1990s, I did not



expect it to be one of the major issues. To better understand the specific reasons given by the French as motivations for the No vote, I turned to polling data.

The first source I consulted to discover the motivations of the No vote were two polls conducted shortly after the referendum. One poll was provided by Eurobarometer, the polling organization of the European Union, and the second came from IPSOS, a leading French survey organization. Both polls provided the same type of data, but offered respondents different choices in the motivations category. I was able to make some interesting conclusions from the categories that voters chose as motivations for voting against the Treaty. Voters chose company relocation/unemployment as a motivation when it was offered more often than the other motivations.<sup>2</sup> In the IPSOS poll, where relocation/unemployment was not offered, more people chose discontentment with the economic/social situation in general.

I then compared the motivations and results of the 2005 Referendum vote to the results of the 1992 Referendum. I looked at the voting results for the 1992 Referendum in order to see if the same reasons for voting against Maastricht in 1992 were given again in 2005. This would have allowed me to conclude that the same concerns about the European Union in 1992 had not changed in 2005. However, I concluded that the reasons for rejecting Maastricht in 1992 were completely different from the 2005 reasons, and also that the added No votes primarily came from voters who were close to the Left politically. Since the 1992 Referendum had passed but the 2005 Treaty vote had not,

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<sup>2</sup> Relocation is my translation of the French 'délocalisation.' It refers to the closure of a unit of production in France, followed by a reopening abroad in order to re-import goods to the national territory for a lesser cost and to continue to participate in the export market with this new unit of production. Source : Lionel Fontagne and Jean-Herve Lorenzi, "Désindustrialisation, Délocalisations," *Les Rapports du Conseil d'analyse économiques* 55 (2005) 12 ; [on-line] available from : <http://lesrapports.ladocumentationfrancaise.fr/BRP/054000102/0000.pdf>

there were obviously a number of people who had changed their minds since 1992. I compared polling results from the 1992 and 2005 votes to study the source of the “extra” No votes of the 2005 vote. I concluded that voters close to the left made up the majority of No voters overall in the 2005 Treaty vote. Of all the groups of left-affiliated No voters, the Socialist Party (PS) was the largest group (see table 1). According to the polls, of the majority of No votes of the Left- affiliated voters, the highest percentage of people cited relocation/unemployment as a reason to reject the Constitution; “unemployment/economic situation” had the second highest percentage (or in the IPSOS poll the first). I then concluded that the Left constituted the majority of No voters, and PS affiliated voters were the largest group within the Left. I looked at the polling results for the voters affiliated with the right, but their contribution to the No vote was not as significant as the Left. This led me to focus on why the Left affiliated voters had changed their opinions since Maastricht, and why such a large group of voters (the left) had voted against the Constitution. Nonetheless, it is possible to conclude from polling results that many other non-left-affiliated No voters were against the Constitution for the same reasons as the Left No voters: unemployment, fear of company relocation, or fear that the EU was too liberal. Therefore, these reasons, although cited more frequently by left-affiliated voters, are somewhat universal. In the IPSOS poll, the majority of No voters were generally unhappy with the economic and social situation in France.

I also reviewed the Socialist Party arguments against the Constitution because the Left-affiliated voters made up the majority of No voters and the Socialist Party (PS) is the largest group within the Left that voted against the Constitution. I focus on the PS arguments because Left affiliated voters who were against the Constitution cited the same

Table 1: Electoral Composition of the No according to Party

PS	29.8%	left
Greens	8.5%	left
PC	10.6%	left
EG	5.6%	left
Total Left	54.5%	
Total Right	36.5%	
No Party affiliation	9.0%	Total =100%

The Left affiliated voters are the largest group of No voters; within the Left, the PS is the largest group.

Source: Referendum: le Non des Classes Actives, des Classes Populaires et Moyennes, et du Peuple de Gauche. Canal Ipsos. 2 Jun 2005.[online organization]; available from: <http://www.ipsos.fr/canalipsos/articles/1545.asp?rubld=17>

reasons as the PS No campaign leaders who were against the Constitution. Also, reasons cited by Left-affiliated no voters were frequently cited among non-left affiliated voters making these motivations representative of a majority of no voters.

Unemployment was often cited in relation to French discontentment with the economic and social situations in the polls. Therefore, I then studied the unemployment situation in France in order to observe what it was about unemployment that related to the Constitution vote. I concluded that unemployment was a large part of the everyday life of the French; even those who are not unemployed fear it or are aware of the high unemployment rate. This led me to conclude that fear of company relocation, unfair liberal trade or liberal policies motivated the no vote because many fear it will increase unemployment. As economist Joseph E. Stiglitz explained in his book *Globalization and its Discontents*, privatizations and liberalization are often met with opposition and are related to unemployment fears. Privatization is pursued because policy makers believe that private companies are more efficient than public enterprises. However, as Stiglitz notes, if privatization is pursued too rapidly it can lead to failure of new enterprises in the private sector and it can be the source of payroll cuts as a way to eliminate state losses. Supporters of privatization argue it is a way to rid companies of inefficient workers, but opponents feel that it allows job layoffs to occur with no concern for social costs. Stiglitz recommends a policy of privatization accompanied by a program that would mitigate the inevitable job loss.<sup>3</sup> Liberalization, the removal of government direction in financial and capital markets as well as the lowering of trade barriers, is also opposed by many who voted against the Constitution in France. Policy makers believe that it will enable the use

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<sup>3</sup> Joseph E. Stiglitz, *Globalization and Its Discontents*, (New York: W.W. Norton and Company Inc,2002)56-57.

of comparative advantage, but this is not always the outcome. Job loss is often the result of liberalization because not enough capital or entrepreneurship is present to ensure the success of new enterprises and jobs, especially when the lowering of trade barriers takes place.<sup>4</sup> Thus, job loss is often the result of hasty privatization and liberalization.

Those who chose unemployment/relocation or a weak French economic/social situation agreed with the argument that the EU is too liberal or that relocation is negative for the French economy overall because it represents a loss of jobs. I looked at how the EU has changed since the Maastricht vote, because the motivations for the 2005 No vote are different from the previous referendum. Because the reasons were different, I did not focus on past arguments against the EU such as fear of the loss of national authority or anti-federal viewpoints. While these remain important discussions, they are not particularly relevant for the 2005 Treaty vote. One of the major changes since the Maastricht vote was the enlargement of the EU; countries in Central and Eastern Europe were added to the Union. I conclude that the recent enlargement combined with perceived free market policies of the EU heightened these fears. Relocation is one of the consequences of liberal trade policies and it received much attention in public debate. I thought it relevant to survey several news publications to gauge the level of public debate on relocation to discover whether or not public debate matched the reasons given for voting against the Constitution. It is plausible that public debate heightened fears or awareness of relocations. I then looked at recent studies on French company relocations to see how widespread company relocation actually is in France. I reasoned that if it turned out to be widespread, it could have led more French to choose relocation, unemployment or liberal policies as a motivation to reject the Constitution.

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<sup>4</sup> Ibid, 59.

Currently, many member states have not ratified the Constitution. The Netherlands held a referendum on the Constitution on 1 June 2005. The Dutch are thought to have rejected the Constitution for reasons such as fear of not enough social Europe and from immigration fears. The French share the social Europe argument with the Netherlands, and the extreme right in France often argued against immigration during the campaign. I do not completely disqualify other possible reasons for rejecting the Constitution such as a fear of Turkey becoming a member. However, according to most polls, French fears of company relocation, liberal trade and negative effects on employment in France were the most frequently cited motivations for voting No. These reasons are the focus of this paper. While they do not cover the entire list of motivations for voting against the Constitution, they nonetheless cover the most frequently cited reasons for a majority of No voters. They help explain one aspect of why the French rejected the EU Constitution.

### 1. The “Non”: Who and Why

Current public debate on the European Union Constitution centers on questions of why the French responded with a resounding “non” to the Referendum held on 29 May 2005. Speculation on the reasons includes the old federalist and nationalist debate—a debate which many considered the cause of the close vote on the referendum of 1992. Also, recent media coverage of the potential or future accession of Turkey has raised questions of race, ethnicity and religion in relation to France’s perception of what the EU should be. While these topics are important to the future of Europe, evidence suggests that these reasons were secondary concerns but not the primary motivations for the French rejection of the EU Constitution. Instead, the French “Non” was primarily motivated by French social and economic concerns. French voters rejected the Treaty mainly because of fears of company relocation, the perception that the French economy could not support further European integration, fear that unemployment would increase with further European integration, and a fear that the new EU is becoming too liberal and thus incompatible with sustaining social policy.

According to polls conducted by European Union and Ipsos (see Tables 2 and 3) immediately following the vote in France on 30 of May 2005, voters most frequently cited a concern that acceptance of the EU Constitution would lead to more relocations of

Table 2. The Motivations of the No Vote by Socio-Demographic Variables

France	Total	% Opposes President	% Not enough social Europe	% Economically speaking, the draft is too liberal	% Will cause loss of employment and relocation of French companies	% The economic situation in France is too weak/there is too much unemployment in France
<b>France</b>	776	18	16	19	31	26
Male	378	18	17	20	28	21
Female	398	18	14	17	33	30
<b>Age</b>						
18-24	89	7	16	16	36	18
25-39	230	16	15	23	26	22
40-54	238	21	15	18	36	29
55+	219	21	16	17	28	29
<b>Profession/ Occupation</b>						
Self-employed	51	16	18	17	27	14
Employees	277	19	17	24	29	23
Manual workers	139	18	8	14	38	22
Without work	308	17	17	16	30	31
<b>Voted</b>						
Yes	0	0	0	0	0	0
No	776	18	16	19	31	26
<b>Moment of Choice</b>						
Announcement	221	18	17	19	31	29
Early	238	24	15	22	31	26
Last weeks	174	14	19	18	33	26
Week before	99	12	10	15	31	20
Day of vote	40	13	10	10	20	21
<b>Party Proximity</b>						
Left	430	17	20	23	31	24
Communist Party	62	21	32	29	37	26
Socialist Party	309	18	17	21	29	24
Right	175	19	9	8	34	27
UMP/UDF	104	22	8	6	33	25
FN	49	14	8	8	37	35
NSP/ DK	98	15	9	17	30	26

Adapted from: The European Constitution: Post-Referendum Survey in France. Flash Eurobarometer 171 Eurobarometer. June 2005. [online survey]; available from [http://europa.eu.int/comm/public\\_opinion/flash/fl171\\_en.pdf](http://europa.eu.int/comm/public_opinion/flash/fl171_en.pdf).



Table 3. Motivations of the No vote according to IPSOS poll

	Total %	PCF %	PS %	Greens %
Unhappy with economic situation in France	52	57	54	59
Constitution too liberal economically	40	57	49	50
Will permit the negotiation of a better Constitution	39	44	47	55

Note: Several responses are possible. For example, 52 percent of those polled cited "Unhappy with the economic situation in France" as one of the motivations for voting against the Constitution, but voters were allowed to name more than one reason for voting against the Constitution.

Source: Referendum: le Non des Classes Actives, des Classes Populaires et Moyennes, et du Peuple de Gauche. Canal Ipsos. 2 Jun 2005.[online organization]; available from: <http://www.ipsos.fr/canalipsos/articles/1545.asp?rubld=17>

French companies, negatively affect an already weak economic situation in France, or that the Constitution is too liberal as justifications for voting No. The vote on the Constitution had a relatively high turnout rate according to Eurobarometer of 69.3 percent, showing that this vote was an important issue to the majority of the French population. The two previous French referenda on European issues had turnout rates of 60.4 percent in 1972 and 69.7 percent in 1992. The European elections of June 2004 only had a rate of 42.8 percent.<sup>5</sup> An IPSOS survey showed that 26 percent of conversations in January, 48 percent in March and 83 percent in May were centered on the European Constitution.<sup>6</sup> Thus, it is possible to conclude from the low abstention rate and the public interest in the Constitution that this vote was an important event for a majority of French citizens.

Results from both the Eurobarometer and IPSOS polls show that the No vote received about 55 percent, with 45 percent of voters voting in favor. People aged 40-54, 18-24 and manual workers seemed to be motivated to vote against the constitution primarily because of a fear that its ratification would have caused more unemployment and relocations while people aged 40 or above and who were without a profession voted against the Treaty because they felt the economic situation in France would have been negatively affected by accepting the Constitution.<sup>7</sup> According to IPSOS, the majority of people who voted against the Constitution gave the reason that they were unhappy with the economic and social situation in France (the IPSOS poll did not offer relocations as a

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<sup>5</sup> The European Constitution: Post-Referendum Survey in France. Flash Eurobarometer 171 Eurobarometer. June 2005. 4; [online survey]; available from [http://europa.eu.int/comm/public\\_opinion/flash/fl171\\_en.pdf](http://europa.eu.int/comm/public_opinion/flash/fl171_en.pdf).

<sup>6</sup> Gaetane Ricard-Nihoul, "The French No vote on 29 May 2005: understanding and action," *Notre Europe* 44, 2005, 3 [journal online]; available from <http://www.notre-europe.asso.fr>; [online report]; (accessed 2 November 2005).

<sup>7</sup> *Ibid.*, 7.

reason). The second reason most commonly cited by those who voted No according to IPSOS was that the Constitution was too liberal economically. The third most cited reason was that the No vote would have allowed a renegotiation of the Constitution. The Left had argued during the campaign that a No vote would have allowed the drafting of a more “social” Constitution.<sup>8</sup> Thus, concern about unemployment and relocations, concern that the economy in France was too weak, concern that the constitution was too liberal economically, and concern that a “social” Europe would not be created with this constitution, were cited the most frequently as reasons for the No vote.

Both the Eurobarometer poll and the IPSOS poll provided detailed socio-demographic information about the voters. The important conclusion to draw from the results of these polls is that they show very similar motivations for refusing the Constitution and tend to vary only because the reasons offered to voters to explain their refusal were slightly different. According to both the Eurobarometer and IPSOS polls, different sections of society supported the No vote. The 18-24 year old group and manual workers especially chose unemployment/relocation as a reason to vote against the constitution.<sup>9</sup> In the IPSOS poll, those who were unemployed showed strong support for the No vote as well as employees in both the public and private sector and the self-employed.<sup>10</sup> It is important to note that voters who were retired or who had a higher income tended to vote in favor of the Constitution. Those of working age were generally against the Constitution.

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<sup>8</sup> See table 3.

<sup>9</sup> The European Constitution: Post-Referendum Survey in France. Flash Eurobarometer 171 Eurobarometer. June 2005. [online survey]; available from [http://europa.eu.int/comm/public\\_opinion/flash/fl171\\_en.pdf](http://europa.eu.int/comm/public_opinion/flash/fl171_en.pdf).

<sup>10</sup> According to the French national statistics bureau are those people without employment who are able to and actively looking for work. (“Il s’agit des personnes sans emploi au moment de l’enquête, immédiatement disponibles et à la recherche d’un emploi”).

Source : “France, Portrait Social 2003-2004,” *INSEE* (Paris: INSEE, 2003) 162.

According to both the Eurobarometer and Ipsos polls, there was solid support for the No vote according to party affiliation. Voters affiliated with a political party which had generally shown support either for or against the Constitution during the campaign or in the past tended to vote according to the party stance. 94 percent of extreme left voters who were polled voted against the Constitution. 98 percent of Communist party affiliated voters who were polled were also against the Treaty. The Socialist Party (PS) results were the exception. The party had undergone a division, with some members breaking away from the official party stance in favor of the treaty to support the No campaign. The result (most likely influenced by the schism in the PS) was that voters affiliated with the Socialist Party voted 56 percent No and 44 percent yes. The 56 percent who voted against the Treaty formed the largest portion of the No vote within the group of left-affiliated voters. Left-affiliated voters formed the largest group of No voters out of all No voters (see table 1). Thus, it is possible to conclude that the Socialist Party (PS) voters made up the largest portion of the No vote, and that the highest percentage of PS-affiliated voters were against the Constitution because of a fear of company relocation and unemployment fears (or with IPSOS economic fears in general).

There is also evidence that the campaign for the Constitution was an important factor in determining voters' final decisions. About 40 percent of voters made up their minds about how they would vote either in the last weeks of the campaign or on the day before the vote according to the Eurobarometer poll.<sup>11</sup> Furthermore, polling during the campaign showed that support for the Constitution fluctuated with the public debates and

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<sup>11</sup>The European Constitution: Post-Referendum Survey in France. Flash Eurobarometer 171 Eurobarometer. June 2005. [online survey]; available from [http://europa.eu.int/comm/public\\_opinion/flash/fl171\\_en.pdf](http://europa.eu.int/comm/public_opinion/flash/fl171_en.pdf) ..

appearances of various politicians on TV. For instance, support for the No vote increased on two occasions. One was after a televised interview with President Chirac during which he had appeared unable to provide a solution to unemployment and relocation problems. The second was an appearance by former EU Commission President Jacques Delors who supported a “Plan B” if the Constitution failed to pass.<sup>12</sup> This Plan B would primarily be a Constitution that was less liberal in terms of trade policies. Therefore the campaign seemed to play an important role for about 40 percent of voters who did not make up their minds until just before the Referendum took place according to the Eurobarometer results. This is significant because certain issues emerged repeatedly in the campaign debates and media coverage during the campaign such as the fear of relocation, which most likely had an effect on the way in which the French voted.

In a poll conducted by IPSOS in May 2005, the voting results of the French population are contrasted to the results of the Maastricht treaty vote in 1992. Almost all the different sectors of the population categorized by profession increased in support for the No vote; the most significant increases since the 1992 referendum are in the management groups (38 percent at Maastricht vs. 53 percent in 2005), the employee group (53 percent in 1992 to 67 percent in 2005), and the manual worker category (from 61 percent in 1992 to 79 percent in 2005). Those who are public employees increased from 49 percent in 1992 to 64 percent in 2005 in favor of the No vote. Also, there was a difference in the groups of people who opposed the 2005 referendum in terms of party affiliation. Whereas in 1992, 70 percent of voters affiliated with the extreme left voted

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<sup>12</sup> “Intentions de Vote. Referendum sur la ratification du traite établissant une Constitution pour l’Europe : les intentions de vote réalisés par les instituts Ipsos, BVA, CSA, Ifop, Louis Harris, Sofres.” *Referendum : le Non des Classes actives, des Classes Populaires et Moyennes, et du peuple de gauche*. Canal Ipsos. 2 June 2005.[online organization] available from: [http://www.ipsos.fr/referendum/iv\\_tous\\_instituts.htm](http://www.ipsos.fr/referendum/iv_tous_instituts.htm)

against the treaty, 94 percent of extreme-left voters opposed the constitution in 2005. The Communist Party (PCF) had a significant increase from 81 percent in 1992 to 98 percent in 2005 (but the extreme parties of France have a general history of being anti-European in voting).<sup>13</sup> This is generally because they are against any supranational entities like the EU or they fear immigration from the newly enlarged union. The Socialist Party went from 22 percent in 1992 to 56 percent “No” in 2005.<sup>14</sup> It is possible to conclude that the left formed the largest group in opposition to the Treaty. Also the PS no voters were the largest percent within the Left. Also, the left represented the “extra” No voters who had voted in favor of the Maastricht referendum but now voted against the Constitution. Most PS affiliated voters against the Constitution cited relocation/unemployment concerns or a weak French economic situation in general as their motivation. Therefore, because so many No voters were motivated by unemployment fears or economic concerns in general, a discussion of this issue is relevant.

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<sup>13</sup>Ricard-Nihoul, “The French No,” 35.

<sup>14</sup> Referendum: le Non des Classes Actives, des Classes Populaires et Moyennes, et du Peuple de Gauche. Canal Ipsos. 2 Jun 2005.[online organization]; available from: [http://www.ipsos.fr/canalipsos/articles/1545 .asp?rubld=17](http://www.ipsos.fr/canalipsos/articles/1545.asp?rubld=17).

## 2. Unemployment Fears in a Liberal EU

‘Unemployment’ is mentioned constantly and all the time. Today, however, the term has lost its true meaning, for it covers a phenomenon quite different from the utterly obsolete one it claims to describe. Yet elaborate and usually fallacious promises are made in its name, hinting at tiny quantities of jobs acrobatically launched (at reduced wages) on the labor market. The percentages are derisory in view of the millions of people excluded from the labor market, and, at this rate, likely to remain so for decades. And by then, what kinds of a state will they, society and the labor market be in?<sup>15</sup> – Viviane Forrester, *The Economic Horror*.

The unemployment situation is especially important in understanding French fears of relocation and liberal policies. This is mainly because these issues are perceived to threaten jobs and exacerbate the unemployment crisis.<sup>16</sup> Unemployment has been a

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<sup>15</sup> Viviane Forrester, *The Economic Horror*, trans. Sheila Malovany-Chevallier (MA: Polity Press, 1999), 3.

<sup>16</sup>“And as B. Cautres (Lauren, Sauyer, 2005) notes, ‘confidence in EU integration is very closely related to the economic climate. In particular, we can see a connection over time between pro-European attitudes and the unemployment curve.’ added to fact is that confidence in government’s capacity to counteract unemployment is at a historic low.”

This fact becomes important for this study when trying to determine why the French fear the EU will exacerbate unemployment in Franc. Even though the unemployment rate was high in the Maastricht treaty

persistent problem in France now for decades, and it has become a main problem for the Chirac administration, because it has not succeeded in lowering the unemployment rate. Unemployment increased dramatically from 2.7 percent in 1974 to 9.1 percent in 1983. It saw a slight decrease from 10.4 percent in 1987 to 8.9 percent in 1990.<sup>17</sup> While unemployment<sup>18</sup> has decreased since 1994, France at 10.1 percent still has one of the highest rates of unemployment of all the OECD countries in 2005.<sup>19</sup> This helps to explain why many French voted No. Long-term unemployment began a steady increase after 1974, and by 1985 21 percent of the unemployed were jobless for more than one year. The average length of unemployment was 16 months in 1998.<sup>20</sup> Today, France has a long-term unemployment rate of 41.6 percent as a percent of total unemployment while youth unemployment as a percent of the youth labor force stands at 22.7 percent.<sup>21</sup> It is also important to note that areas in France that had a high unemployment rate during the vote tended to vote No (see table 4).

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year vote, unemployment was not given as a reason for voting No. This leads to the discussion of the EU's new focus on liberal policies and the recent enlargement.

A. Laurent and N. Sayer, *Le Referendum de Ratification du Traite Constitutionnel Européen: Comprendre le "Non" français*, Les Cahiers du CEVIPOF, n 42, (July, 2005) cited in Ricard-Nihoul, "The French No," 14.

<sup>17</sup> Jean-Claude Barbier. "The French Social Protection System: Path Dependencies and Social Coherence." The Year 2000 International Research Conference on Social Security. Helsinki September 2000. *International Social Security Association*. 10. [online] available from <<http://www.issa.int/pdf/helsinki2000/topic1/2barbier.pdf>>

<sup>18</sup> The unemployed according to the OECD definition are persons of working age who, in a specified period, are without work and are both available for and are actively seeking work. The labor force comprises the employed, the unemployed and all members of the armed forces. This series is the official unemployment rate. The unemployment rate refers to the number of persons unemployed according to ILO (International Labor Organization) definitions, as a percentage of the total labor force. Official Site of the OECD: <http://stats.oecd.org/mei/default.asp?lang=e&subject=10&country=FRA>

<sup>19</sup> Unemployment *OECD in Figures 2005 edition*. OECD. (July 2005). 20; [online] available from: <http://213.253.134.29/oecd/pdfs/browseit/0105061E.PDF>.

<sup>20</sup> Peter Taylor-Gooby. *Welfare States Under Pressure*. (CA: Sage Publications Inc, 2001) 62.

<sup>21</sup> Salvador Juan and Didier Le Gall, eds, *Conditions et Genres de Vie* (Paris : L'Harmattan, 2001), 20 ; Youth are persons under age 25



Table 4. Vote Results by Region in France, Closeness of Vote, and Unemployment Rate

**Table 1**

Region	yes %	No %	% difference	Unemployment rate
Alsace	<b>53.44</b>	46.56	6.88	8.6
Auvergne	42.43	57.57	-15.14	8.5
Aquitaine	42.85	57.15	-14.3	10.1
Bourgogne	41.48	58.52	-17.04	8.7
Bretagne	<b>50.9</b>	49.1	1.8	8.1
Centre	43	57	-14	8.8
Champagne-Ardenne	42.91	57.09	-14.18	10.3
Corse	42.3	57.7	-15.4	10.8
Franche-Comté	42.19	57.81	-15.62	8.6
Ile-de-France	<b>53.96</b>	46.04	7.92	10
Languedoc-Roussillon	37.63	62.37	<b>-24.74</b>	<b>13.7</b>
Limousin	40.78	59.22	-18.44	7.9
Lorraine	43.56	56.44	-12.88	9.9
Midi-Pyrénées	42.85	57.15	-14.3	9.8
Nord-Pas-de-Calais	35.11	64.89	<b>-29.78</b>	<b>13.1</b>
Basse-Normandie	44.76	55.24	-10.48	9.5
Haute-Normandie	35.58	64.42	<b>-28.84</b>	<b>10.9</b>
Pays-de-la-Loire	<b>50.12</b>	49.88	0.24	<b>13.1</b>
Picardie	34.98	65.02	<b>-30.04</b>	<b>10.8</b>
Poitou-Charentes	44.66	55.34	-10.68	9.4
Provence-Alpes-Côte-d'Azur (PACA)	41.21	58.79	<b>-17.58</b>	<b>11.9</b>
Rhône-Alpes	48.38	51.62	-3.24	8.8

Source: "L'après-Referendum : les conséquences du non 29 Mai 2005. Les Résultats par département et par région," France 2 Groupe France Télévisions. 30 May 2005. Official Site of France 2 Group Television [online] (accessed 4 January 2005).

available from:

<http://referendumconstitutioneuropeenne.france2.fr/11018058fr.php#para11065525>.

Note that the areas with the highest unemployment rates tended to vote against the Constitution; the No vote won in those areas by a wide margin.

Certain groups are also more likely to experience unemployment in France. There is a general trend of unemployment for those aged 21-30, who represent half the unemployed; for this age group the risk of being unemployed is 3.5 times higher than those aged 30-35.<sup>22</sup> The 11.0 percent unemployment rate of women is higher than that of men, which is 9.3 percent. According to a November 2005 poll from Ipsos, 6 out of 10 young people in France under age 25 expect to experience a period of unemployment in their career, even those who feel confident in their professional future.<sup>23</sup> Those who are unemployed or those who have a higher chance of being unemployed chose to reject the Constitution frequently from a fear of unemployment and those of working age showed less support for the Constitution due to unemployment fears in the Eurobarometer poll. For example, 54 percent of voters ages 18-24 and 48 percent of those ages 25-39 voted against the Treaty citing unemployment concerns.<sup>24</sup> Thus, it is possible to conclude that unemployment is a problem in France today and it was a main motivation for voting against the Constitution.

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<sup>22</sup> Ibid, 40.

<sup>23</sup> Craplet, Cristelle, "Les 20-25 ans ne croient plus au modèle sociale français" Canal Ipsos. Official site of IPSOS. [online] (accessed 6 January 2005) available from: <http://www.ipsos.fr/CanalIpsos/articles/1733.asp?rubId=21>

<sup>24</sup> The European Constitution: Post-Referendum Survey in France. Flash Eurobarometer 171 Eurobarometer. June 2005. [online survey]; available from [http://europa.eu.int/comm/public\\_opinion/flash/fl171\\_en.pdf](http://europa.eu.int/comm/public_opinion/flash/fl171_en.pdf) .; also 79% blue collar workers voted non accord to IPSOS (+18 from Maastricht), 67% white collar workers (+14pts from Maastricht) and 71% of jobseekers non (+ 12 pts from Maastricht) Ricard-Nihoul, "The French No," 20.

## 2.1 French Social Protection

Both historian Timothy B. Smith, in his study on the French welfare state and OECD analysts argue that the main causes of the high unemployment rate in France are the highly protectionist policies that exist and are implemented in the name of sustaining a French welfare state or a French social model.”<sup>25</sup> Smith argues that any attempt to decrease the level of social protection or social benefits in France usually results in massive discontent or protest in the name of ‘Solidarity.’<sup>26</sup> There have been protests in the past decade as the administration has tried to gradually liberalize the economy and certain social areas such as pension plans.<sup>27</sup> Sophie Meunier, a research associate from Princeton University argues in her study of how globalization challenges France that the government is aware of French fears of reform. The French perceive certain reforms as a dismantling of social protection and the government has therefore tried to complete policy reform “by stealth.”<sup>28</sup> According to Meunier, this is done by using anti-liberal rhetoric while simultaneously pursuing privatization of the economy.

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<sup>25</sup> “Key Challenges Facing France Summary Chapter 1” *OECD Economic Survey of France* 16 June 2005, OECD; [online Journal] available at [http://www.oecd.org/document/40/0,2340,en\\_2649\\_201185\\_34991720\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/40/0,2340,en_2649_201185_34991720_1_1_1_1,00.html)

<sup>26</sup> Smith defines Solidarity as a country that would in an ideal situation “require regular sacrifice for the common good. A solidaristic society is one which redistributes wealth to low-wage earners and opens up the doors of social mobility. A solidaristic society pays the price for its solidarity in the here and now, instead of leaving the bill to future generations. A solidaristic society spreads risk (and jobs) equitably...” Timothy B. Smith. *France in Crisis, Welfare, Inequality, and Globalization since 1980*. (UK: Cambridge University Press, 2004) 8.

<sup>27</sup> *Ibid.*, 61-64

<sup>28</sup> Philip Gordon and Sophie Meunier. *The French Challenge Adapting Globalization*. (VA: Brookings Institution Press, 2001), 14.

France has been built on the tradition that a strong central government should be responsible for the well-being of the population.<sup>29</sup> To this end, the French welfare state has grown through different stages. In 1974 there was an increase in unemployment insurance benefits and the retirement age decreased from age 65 to 60. This latter change is known as the “social treatment” (early retirement). Also, in the 1980s, a program for creating government-subsidized jobs for the young and long-term unemployed was implemented. There was a minor decrease in social spending from 1984 to 1993, but it increased yet again in the 1990s when there was resurgence in the belief that the French welfare state should expand. In 1992 all unemployment insurance benefits were covered by the Allocation Unique Degressive (AUD). This insurance benefit is payable only for a limited period of time. Reform of the AUD meant fewer benefits and the RMI (Revenu Minimum D’Insertion) became the safety-net for the long term unemployed. In 1998, the work week in France was reduced to 35 hours, on the grounds that work should be divided among more workers.<sup>30</sup> There are also special contracts for workers limiting the terms upon which a person may be employed. These contracts include the CDI (contrat à durée indéterminée/contract for undefined amount of time) and the CDD (contrat à durée déterminée/contract of defined amount of time).<sup>31</sup> These social protection laws were enacted in theory to protect against poverty, unemployment and social exclusion. Most French approve of such state regulation. For instance, in a 1993 poll, 53 percent of those who were polled felt that the state did not intervene enough in the economy.<sup>32</sup> Also,

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<sup>29</sup> Sophie Meunier. France, Globalization and Global Protectionism. Paper prepared for Conference “France in Europe, Europe in France.” December 3-5, 1999. Center for European Studies, Harvard University. 17. [online] available from: <http://www.ces.fas.harvard.edu/publications/Meunier.pdf> .

<sup>30</sup> Taylor Gooby 65-67.

<sup>31</sup> Salvador Juan and Didier Le Gall, eds, *Conditions et Genres de Vie*, (Paris : L’Harmattan, 2001), 42.

<sup>32</sup> Gordon and Meunier, 101.

attempts to cut back the amount of legislation protecting jobs or other social policies are generally met with protests. For example, in 1995 when Prime Minister Juppé tried to reduce state control of jobs and pensions, there were massive street protests in response.<sup>33</sup> Even today's street protests are in response to a bill that would make it easier to fire young workers.<sup>34</sup> Therefore, the French belief in social protection policies was another issue for French No voters, who feared the EU was becoming too centered on liberal trade policies and not enough on ensuring social protection.

The French feared that their social model would not be able to compete in a newly enlarged Europe if the EU was based solely on free trade principles where the cheapest and most competitive are the winners. The EU has recently reinforced its commitment to make the union a more liberal trading zone, and "competitiveness" has become the overall objective.<sup>35</sup> Evidence of this new commitment to make the EU more competitive can be observed in the so called Lisbon Strategy.

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<sup>33</sup> Barbier, 14.

<sup>34</sup> BBC News 7 March 2006, [online] available from: <http://news.bbc.co.uk/2/hi/europe/4781880.stm>

<sup>35</sup> "Opinion of the European Economic and Social Committee on the Scope and Effects of Company Relocations." *Official Journal of the European Union*, 25 November 2005. Article 1.1 [online] available from <http://europa.eu>

## 2.2 The Lisbon Strategy and Liberalization

The Lisbon Strategy was a project undertaken and developed by EU leaders at Lisbon in March 2000 to increase growth and employment. The goal was for the EU “to become by 2010 the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion.”<sup>36</sup> Three of the five areas of policy reform that the strategy recommends concern free trade and the market, reform of the internal services market, and reform of the business climate.<sup>37</sup> It is probable that the Lisbon reforms concern policies that the French would not approve of modifying. This is partly because the Lisbon recommendations call for the removal of legislation that the French see as ensuring social protection.

The first policy reform area of the Lisbon Strategy concerns the internal market, but it is controversial for France because it implies that company relocations are a benefit. The EU emphasizes the fact that increased industrial production for some areas from relocation is positive, because it includes the transfer of technology and increases the competitiveness for those businesses.<sup>38</sup> The EU also focuses on the social aspect, insisting that “social decline” and a natural industrial restructuring are not

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<sup>36</sup> Report from the high Level Group, Facing the Challenge The Lisbon Strategy from growth and employment November 2004, by Wim Kok, chairman (Luxembourg: Office for Official Publications of the European Communities, 2004), 7.

<sup>37</sup> Ibid., 18.

<sup>38</sup> Official Journal Article 1.12.

“synonymous.”<sup>39</sup> As the EU Commission sees it, relocation is part of the natural trend that occurs both in an internal market such as the EU and in a globalized world. It is beneficial because it increases competitiveness and lowers prices for EU consumers.

Some French consider globalization and competition to be the culprits responsible for relocations, high unemployment, and the loss of the ability of a state to provide social protection. Smith in his study on the French welfare state in crisis points out that globalization is often held responsible for all the domestic economic problems of France such as the high unemployment rate.<sup>40</sup> Many on the Left argue that the pressures of globalization prevent states from providing better social legislation to deal with social exclusion and with the effects of liberal free trade (such as relocation).<sup>41</sup> Meunier in her study on the challenges of globalization for France notes that the European Union itself was the precursor of globalization.<sup>42</sup> She also points out that the recent privatizations such as Air France, France Telecom, and reforms of the welfare state in France have been completed “by stealth” due to the common French opinion that more state regulation is better. She argues that French politicians have led a campaign against liberal policies while at the same time moving toward more privatization and deregulation.<sup>43</sup> In an interview with President Chirac during the campaign for the Constitution, one French girl asked if the President did not think that the support for the No vote was due to a “double discourse” which his administration had led on globalization and liberal trade policies.<sup>44</sup>

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<sup>39</sup> Ibid., Article 1.13.

<sup>40</sup> Smith, 55.

<sup>41</sup> See L. Fabius, “Question Ouvert,” for example.

<sup>42</sup> Gordon and Meunier, 71.

<sup>43</sup> Meunier, 12 and Gordon and Meunier, 22.

<sup>44</sup> Jacques Chirac, Débat du Président de la République.

“I wanted to ask you this question : is it that you don’t think that the increase in support for the No vote is a product/ victim of the ‘double discourse’ that you have on liberalism? You have shown that you are against liberalism or at least ultra liberal globalization. However, it is not possible to say that the policies of

She mentioned that on one hand the President claims he is against liberal policies but his Prime Minister (during the Referendum), Jean-Pierre Raffarin, had recently pushed through reform of the pension system and more privatizations. Thus, there was some sense of discontent over this issue, which became a main motivation of the No vote.

The Socialist campaign for the No vote also argued that unfair competition from lower wage countries, without the proper social legislation, could be extremely harmful to the French social and economic situation. It was blamed in the polls for exacerbating the unemployment situation. It is therefore unlikely that France will perceive the deconstruction of social legislation as a benefit. This is because the French No voters are more likely to see the breakdown of labor protection laws as exposing employees to the harsh environment of a liberal market.

The first part of the internal market policy reform area of the Lisbon Strategy calls for the creation of a single market for services, known as the Bolkestein Directive. The Bolkestein Directive was proposed by Fritz Bolkestein, the EU Commissioner for the Internal Market, Taxation and Customs from 2000 to 2004. It called for an internal single market for services. This market accounts for between 60-70 percent of the economic activity in the Union. The EU reasoned that because the services sector is so large in Europe, free trade and competition in that area would be beneficial.<sup>45</sup> The objective of the proposal was to create an internal market in services by removing all barriers to the services sector between member states. While the official directive description claims to

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Jean Pierre-Raffarin (Prime Minister) aren't liberal, extremely liberal either. We could say that the public sector is on the brink of being privatized, we can't say that the politics of this administration are a success, unemployment increases, the purchasing power falls, you say that it is necessary to struggle against global liberalism but in reality, the politics of this administration are liberal."

<sup>45</sup> Europa, official site of the European, Services Directive [online] available from ([europa.eu.int/comm./internal\\_market/services/overview\\_en.htm](http://europa.eu.int/comm./internal_market/services/overview_en.htm))>



exclude public services, critics of the directive point out that the only services which are excluded are those where “the characteristic of remuneration is absent.” However, “since access to a large number of public services requires the payment of fees, most fall within the range of the directive.”<sup>46</sup> This debate is important mainly because the public sector is associated with social protection.<sup>47</sup>

Critics of the directive feared that specific company structures would be devised to exploit the varying levels of regulation in the EU member states, mostly because of the “country of origin principle” in Chapter III, Article 16 of the directive. The principle states that: “Member states must ensure that providers are subject only to the national provisions of their member state of origin...Member state of origin shall be responsible for supervising the provider and the services provided by him, including services provided by him in another member state”<sup>48</sup> Analysis of the implications of the policy (from supporters) found there would be a number of benefits from allowing free trade in the services sector including an increase in EU GDP, a lowering in the cost of services and the creation of new jobs for the long term.<sup>49</sup> The French fear of competition and job loss was embodied in the image of a ‘Polish Plumber’ in the media (see Figure 1). The French government recognized that this aspect was becoming a major threat to the Yes campaign in France because of a fear of unfair competition in the services sector. On 21 March 2005, demonstrators from all over the EU including France met to protest the

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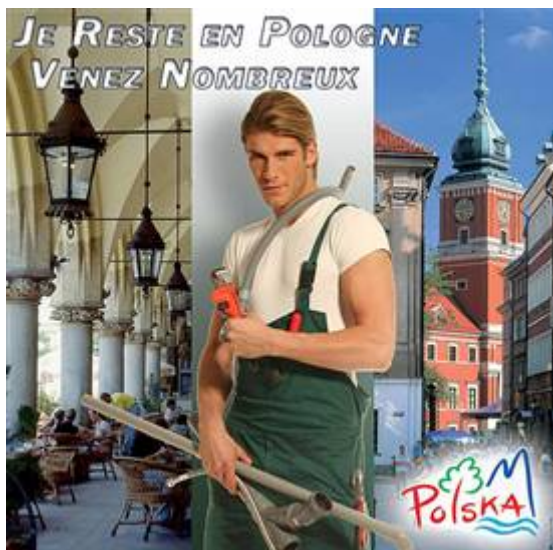
<sup>46</sup> Thomas Fritz, “Transforming Europe into a Special Economic Zone The EU’s Services Directive” *Berlin Working Group on Environment and Development- NGO Blue* 21 July (2004), 3. [online] available from <http://www.spectrezine.org/europe/Fritz-vs-Bolkestein-EN.pdf> (this is an anti-services directive document)

<sup>47</sup> Gueldry, Michel R. *France and European Integration Toward a Transnational Polity* ? CT: Praeger, 2001, 71.

<sup>48</sup> Thomas Fritz. “Transforming Europe into a Special Economic Zone The EU Services Directive.” Berlin Working Group on Environment and Development. NGO Blue 21, July 2004. 12.

<sup>49</sup> Official Site of CEPA, Center for European Policy Analysis [online] available from: <http://cepa.ncpa.org/archive/does-europe-need-the-polish-plumber> (accessed 4 January 2006).

Figure 1: The Polish Plumber



Source: MSNBC.com, Poster from Polish National Tourist Office in France. [online] available from: <http://www.msnbc.msn.com/id/8396626/>

This poster from the Polish National Tourist Office in France is representative of the Fears of the French against a free trade internal services market. It reads “I’m staying in Poland.”

Services Directive.<sup>50</sup> On 22 March 2005 at a summit in Brussels on economic reform, President Chirac stated that the Directive was ‘unacceptable’ for France and convinced the Commission to revise the proposal.<sup>51</sup> Nonetheless, the fact that the EU had even proposed the directive in the first place demonstrated its new reorientation and commitment to free trade and deregulation.

Even though the EU reasoned that the creation of the services directive would be beneficial, the French still feared a large influx of foreign workers would occur and threaten the economic and social well-being of French citizens. According to their argument, French social and economic policies could not exist when so many French jobs were forced to compete with an influx of workers not subject to French standards.<sup>52</sup> Thus, a pattern emerges where the French argue that a good European social model cannot exist when French jobs are threatened by foreign workers and competition from low wage countries such as Poland.

The second major policy reform of the Lisbon Strategy with which the French took issue was “the business climate” cause. This reform called for the reduction of the “administrative burden” and “facilitating the rapid start-up of new enterprises and creating an environment more supportive to businesses”<sup>53</sup> However, in France these reforms were seen as breaking down protective and beneficial legislation, doubly so

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<sup>50</sup> World Socialist Web Site 21 March 2005 [online] available from <http://www.wsws.org/articles/2005/mar2005/brus-m21.shtml> (accessed 5 February 2006).

<sup>51</sup> Interactive table at IPSOS on the French campaign [online] available from [http://www.ipsos.fr/referendum/iv\\_tous\\_instituts.htm](http://www.ipsos.fr/referendum/iv_tous_instituts.htm) and BBC 22 March 2005 [online] available from <http://news.bbc.co.uk/2/hi/europe/4374007.stm>

<sup>52</sup> for example Pierre Moscovici, “Il faut établir un rapport de force avec le conseil.” Official site of the Parti Socialiste 16 February 2006. [online] available from [http://www.parti-socialiste.fr/tiki-index.php?page=060216\\_bolkestein\\_itwmoscovici](http://www.parti-socialiste.fr/tiki-index.php?page=060216_bolkestein_itwmoscovici)

The author explains the PS’s resistance to liberal policies resulting in social dumping.

<sup>53</sup> Report from the High Level Group, Facing the Challenge The Lisbon Strategy for Growth and Employment November 2004, by Wim Kok, Chairman. Luxembourg: Office for Official Publications of the European Communities, 2004. 7.

because they were recommended at time when France has been going through a wrenching process of privatizations. The EU concluded that there were too many “rules and regulations imposed on businesses,” and although these regulations are made with good intentions, they ultimately hinder efficiency and production.<sup>54</sup> In the words of the EU: “a balance must be struck between regulation and competition.” The reforms call for a drastic reduction in “the time, effort and cost of setting up a business by the end of 2005.”<sup>55</sup> However, as Smith notes in his book on the French welfare state, the French benefit from heavy labor laws and regulation that make it virtually impossible to be fired once hired and that highly regulate the time allowed to work--for example the 35-hour-work-week law.<sup>56</sup> These laws are seen as part of the social protection legislation in France and are defended in the name of Solidarity.<sup>57</sup> These types of regulations would most likely have to be eliminated or modified in order to comply with the Lisbon Strategy. A study from 1996 shows that the French would most likely reject the modification of legislation that they consider to be beneficial to the social situation in France. Those interviewed for the poll who were affiliated with the Left in France were the least likely to hold “le poids des charges sociales” (the cost of social benefits and legislation) as explanation for unemployment.<sup>58</sup> In another example, L. Fabius, the PS no- campaign leader, asserted that the European Bank caused problems for member states because it is separate from any political entity, and it only deals with the economic aspects of the European Union. In theory, when a country fails to meet the ‘no more than

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<sup>54</sup> Gordon and Meunier, 29.

<sup>55</sup> Ibid., 30.

<sup>56</sup> Smith, 3.

<sup>57</sup> see Smith, 42.

<sup>58</sup> La Chaise, Guillaume. *Crise de l'Emploi et Fractures Politiques Les Opinions des Français face au Chômage*. Paris : Presses de Sciences Po, 1996. 189.

3% of GDP' requirement for deficit spending, sanctions are imposed. Fabius argued that this restriction hinders a government's ability to fund social legislation, which would help a government deal with unemployment. Therefore, he voted against the Constitution in order to vote for a more Social Europe.<sup>59</sup>

The liberalization of the EU, evidenced by the Lisbon Strategy, was thus a concern for many French no voters. However, the EU has been in the process of lowering trade barriers for decades. In the 1980s, French Commission President Jacques Delors (1985-1995) was responsible for initiating the creation of the Single Market which called for the lowering of all non-tariff trade barriers within the EU. Delors was committed to the prospect of social cohesion within the Union, but he also believed in the benefits of free trade. In addition to the creation of the Single Market, Britain has been an important player in the EU for liberalization. British policy makers pushed for further liberalization since the 1979 election of Margaret Thatcher and the support for liberal policies has continued with current British Prime Minister Tony Blair. It was Tony Blair who first suggested the summit at Lisbon and he remarked in a speech to the British Parliament in 2000 on the reform of the Union:

For the EU, at Lisbon in March, we will reach a decision point on economic reform. Does Europe continue with the old social model, that has an attitude to social legislation and welfare often rooted in the 1960s and 1970s or does it recognize that the new economy demands a re-direction of European economic policy for the future? I would like to see Lisbon mark a definitive turning point towards the reform agenda,

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<sup>59</sup> L'Humanité 17 May 2005.

retaining the values of the European Social Model, but changing their application radically for the modern world.<sup>60</sup>

There has been a push toward more liberal policy within the EU supported by Britain; the focus on increasing employment and economic growth through trade liberalization has become a primary focus of the current Barroso Commission (2004-2009).<sup>61</sup> The Commission has recently reemphasized the need to implement the Lisbon recommendations to strengthen European employment and growth overall.

In addition to the liberalization of the EU, France has seen some liberal policies enacted at the national level. Since the economic “U-turn” of 1983 in France under Late President Mitterrand and former Finance Minister Jacques Delors (1981-1984), France has seen a gradual trend of privatization and liberalization. In 1986, the Chirac Government enhanced the trend of privatizations and ended price controls. While there was a brief period in 1988 when privatizations were slowed by the socialist government because former Prime Minister Chirac lost his position, the Single Market liberalization policies continued at the EU level. The 1990s saw the French private sector expand through mergers and internationalization.<sup>62</sup> Delors had left his position as Finance Minister to become the Commission President because he believed the future success of France was tied to the future of Europe.

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<sup>60</sup> Speech by Tony Blair, 18 January 2000, World Economic Forum at Davos, Switzerland. [online] available from <http://www.number10.gov.uk/output/Page1508.asp>

<sup>61</sup> Official Site of the Barroso Commission, Europa. [online] available from [http://europa.eu.int/comm/commission\\_barroso/president/index\\_en.htm](http://europa.eu.int/comm/commission_barroso/president/index_en.htm)

<sup>62</sup> Alain Guyomarch, Howard Machin, Peter A. Hall, and Jack Hayward. *Developments in French Politics* 2. (Great Britain: Palgrave, 2001), 87.

However, many French politicians and policy makers have used the European Union and globalization in general as an explanation for unpopular policies in France. Meunier and Gordon point out that while France was and still is in the midst of liberalization and privatizations due to the pressures of trade within the EU and globalization, politicians have used anti-liberal rhetoric.<sup>63</sup> As Mitchell Smith, Professor of Political Science and co-director of the European Union Center at the University of Oklahoma notes, the claim that “the Commission made me do it” is a frequent excuse given by politicians and policy makers to pursue liberalization without giving the appearance of actually approving of it.<sup>64</sup> Smith notes that former Prime Minister Lionel Jospin (1997-2002) remarked that his primary concern was to preserve the “social market economy” and to resist pressures to have a “market society” based on “jungle capitalism.”<sup>65</sup> Nonetheless, under the Jospin administration, the state privatized companies that were thought to be “untouchable” such as Thomson-CSF and Credit Lyonnais. Air France and France Telecom were partially privatized.<sup>66</sup> Therefore, the actual liberalization with which so many French No voters took issue is actually a trend that has been ongoing since the 1980s. It is the result of an emphasis on a common internal market in the EU as well as liberal policies that have been pursued to some extent within France.

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<sup>63</sup> Meunier, 12 and Gordon and Meunier, 22.

<sup>64</sup> Mitchell Smith, "The Commission Made Me Do It : The European Commission as a Strategic Asset in Domestic Politics" cited in Stephen George and Ian Bache, *Politics in the European Union*, (New York: Oxford University Press, 2001), 40-41.

<sup>65</sup> Timothy Smith, 5.

<sup>66</sup> Gordon and Meunier, 22.





### 3. Relocations and Public Debate

*"JVC, Continental, Alcatel, St microelectronics, Alstom...these names represent companies who all share a common trait : all have closed factories or locations in France and have relocated their production abroad... We have seen relocations of companies for 20 years, and this is certainly going to continue."*<sup>1</sup>

Anyone who has been in France during the past 10-15 years will have heard some discussion of company relocations. The issue became one of the main rallying points for the Left in its campaign against the Constitution in France in 2005. It was also an issue that the media and public debate covered during the campaign. In order to understand why this issue has become such a focus of concern, it is useful to first look at the past history of the coverage of this trend in public debate. Then, it is useful to observe the attention devoted to this topic in the months during the campaign before the referendum.

Public discussion of relocation started at about the same time that the debate on globalization emerged in France. This is not surprising, because it is a process that is attributed to globalization.<sup>2</sup> The topic was mentioned so many times in French newspapers from 1990-2005 that it is too large a search to cover for most news/media search engines; a Lexis-Nexis search of the topic in French news for this time period is too large for the service to cover. During this time period, it was mentioned in both the headlines and in general discussion within the text (See Table 5). In 2004 and 2005 the appearances of the word relocation increase dramatically, which is indicative of the attention given to this topic during the recent enlargement of the EU (See Table 6). In

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<sup>1</sup> Information Site managed by La Documentation Française , "Dossier sur La Délocalisation" (accessed 4 January 2005) [online] available from <http://www.vie-publique.fr/actualitevp/dossier/delocalisation.htm>. ("JVC, Continental, Alcatel, St microelectronics, Alstom...Ces noms désignent des entreprises dont le point commun est d'avoir fermé des établissements implantés en France tout en délocalisant leur production vers l'étranger... Nous assistons à des délocalisations d'entreprises depuis une vingtaine d'années, et ce mouvement va certainement se poursuivre.")

<sup>2</sup> Gordon and Meunier, 74.

2004 alone, a search recalls 4,144 appearances of the term.<sup>3</sup> A separate search of the term “relocation” plus the word “unemployment” and/or salaries in 2004 also returns a very high number.<sup>4</sup>

There have been numerous studies of company relocation since the 1990s, but one of the first major studies was the so-called Arthuis Report conducted by the French Senate (under the direction of Senator Arthuis) and released in 1993. The report predicted that the French economy would be severely damaged, ultimately losing three to five million French jobs because of relocations.<sup>5</sup> Nearly 500 articles on relocations and Arthuis appeared in *Le Monde* in the following years.<sup>6</sup> Throughout the 1990s the debate in the media on delocalisation was covered in some of the most widely read newspapers; this influenced the public’s perception of relocations.

In the early 1990s, a newspaper that focused heavily on this topic was the business daily *Les Echos*, which often reported either demonstrations against relocations or statistics informing readers that employment was threatened.<sup>7</sup> According to one story from 1993, 56-80,000 jobs in information technology could be lost as a result of relocations.<sup>8</sup> Knowing that the French were exposed to stories like these in the daily

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<sup>3</sup> See table 5.

<sup>4</sup> Ibid.

<sup>5</sup> Gordon and Meunier, 30.

<sup>6</sup> Lexis-Nexis

<sup>7</sup> Is the leading financial daily newspaper in France according to Lexis- Nexis official description.

<sup>8</sup> *TechEurope* , 1 April 1993.

Table 5. Frequency of Terms In the News

Research Terms	2000	2003	2004
Relocations	215	879	4144
Of which Headlines	10	53	453
Relocations	33	208	859
+unemployment			
Relocations + 35	20	57	500
Hours			
Relocations +Wages	30	138	709
Relocations +	9	51	224
unemployment			
+wages			
Relocations	54	295	1344
+Unemployment			
and/or wages			

Adapted from : Guillaume Daudin and Sandrine Levasseur, “Offshore Relocations and Emerging Countries Competition: Measuring the Effect on French Employment,” in *Competition from Emerging Countries, International Relocation and their Impacts on Employment*, 6. Observatoire Français des Conjonctures Economiques. (Paris, 2005). [online] available from <<http://www.euroframe.org>>.

Table 6. Frequency of the Appearance of "Relocation" in Various Newspapers

<b>Year:</b>	<b>Le Monde</b>	<b>La Tribune</b>	<b>Les Echos</b>	<b>L'Express</b>	
<b>1993</b>	188	159	336	28	
<b>1994</b>	115	130	272	13	
<b>1995</b>	80	154	285	10	
<b>1996</b>	86	135	270	21	
<b>1997</b>	99	159	282	16	
<b>1998</b>	62	120	228	13	
<b>1999</b>	62	116	195	9	
<b>2000</b>	100	132	183	19	
<b>2001</b>	125	118	184	23	
<b>2002</b>	125	90	205	21	
<b>2003</b>	183	116	327	24	
<b>2004</b>	500	more than	250	841	96
<b>2005</b>	496		207	617	62

Source : Lexis-Nexis

media helps explain in part why relocation became such an issue for the French Referendum on the Constitution.

Relocation cases reported in the news from 1993-2000 were numerous. For instance, in 1993, an article in *Les Echos* reported that the company Groupe Salmon-Arc-en-Ciel was letting people go in a region that already felt the impact of deindustrialization in the clothing and the shoe-making industries. Claude Martin, the head of the company, made the prediction that this process of laying off workers would continue because it is simply less expensive to produce in countries with lower wages. In this company's case, 25 percent of its production was already relocated to Morocco, Portugal, Thailand and Korea. The director of the Center d'Affaire Mode-Industries de Cholet (CAMI), Henry de L'Espinay, blamed the fact that there is not enough regulation of imports as the cause of relocation. L'Espinay also predicted that Poland would be the next place to host relocated companies.<sup>9</sup> This prediction was made in 1993, and a study of the public debate twelve years later shows that this was a problem according to discussions of relocation in the news: the recent enlargement of the EU played into fears of relocation because French No voters feared that their industrial wages could not compete with the lower wage countries of Eastern Europe.<sup>10</sup>

In 1996, one report highlighted the fact that the textile and clothing manufacturing industry was rapidly disappearing and then noted that other sectors of the manufacturing/production industry were likely to suffer the same fate because of company relocations to countries with lower wages. The article noted that the wages of the French were four times higher than those of the South Koreans and 8 times higher

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<sup>9</sup> Les Echos 14 May 1993.

<sup>10</sup> Katinka Barsysch, "Does Enlargement matter for the EU economy?" *Center for European Reform* (2003) 1 [online]; available from: [www.cer.org](http://www.cer.org).

than those in Mexico. It also reported that since 1992, the newly admitted countries of Italy, Spain, and Portugal would cause more relocations to occur.<sup>11</sup> This prediction shows a pattern of concern about relocation that accompanies discussions on enlargement of the European Union.

Both the news and public debate in the past two years have reported on government “solutions” to relocation. The Minister of Economics, Nicolas Sarkozy, emphasized the fact that the government is trying to help France deal with this problem by focusing on “flexibility” of the economy.<sup>12</sup> This referred to the idea that there must be new sectors of industry to fill those sectors that have relocated. It is based on the idea that a trend of relocation is inevitable with competition from low wage countries such as Morocco, Tunisia, Senegal, and Romania. The government has also started giving contracts to various regions of France; these contracts give technological support and funding to areas that are considered to be extremely hurt by relocation in order to reinvigorate the economy.<sup>13</sup> The implementation of government solutions for relocations no doubt contributed to a fear that relocation was widespread and that it was one of the sources of unemployment. A review of the French newspaper *Le Monde* just before the election in the months of March, April, and May shows that relocation became an important issue during the campaign for the Referendum.

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<sup>11</sup> Les Echos, 11 December 1996.

<sup>12</sup> Le Figaro Economie, 6 May 2004.

<sup>13</sup> Lorenzi and Fotagne, 12

### 3.1 The Campaign and *Le Monde*: March, April, May

“...He was staying to take the bet. Produce the same lamp, with a lower cost price of more than 25 percent. Frederic Larivaille called a meeting of his staff and demanded : ‘that you either simplify the product to save the company 30 percent in costs while staying within the normal expense range by getting better terms with the suppliers or I am going to move to China; by doing so I am sure to save 30 percent on my cost prices.’”<sup>14</sup>

French Small Business Owner

An article appearing in *Le Monde* on 5 March 2005, two months before the Referendum, entitled “Ma Petite Entreprise” (my small business) told the story of a French small business owner, who discusses his day to day struggle to resist relocation. In the end, he is forced to deal with a supplier in the East for a part he uses to make lamps in order to keep the price of his product competitive. The owner wrote a letter to the *Liberation* newspaper calling himself “un patron voyou mais par nécessité,” (a bad boss/ a lout/ but by necessity) in which he explains that he did all he possibly could and should

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<sup>14</sup> Le Monde, 5 March 2005. ("Restait à tenir le pari. Produire le même luminaire, avec une baisse du prix de revient de plus de 25 pourcent. Frederic Larivaille a réuni son " staff technique " et leur a fait explicitement ce chantage : 'soit vous arrivez a simplifier les produits et a nous faire faire 30 percent d'économie tout en restant dans le cahier des charges, en négociant de meilleures conditions avec nos fournisseurs habituels. Soit je vais en chine.' Avec le plan de la pièce, je suis sur de gagner 30 percent sur mes prix de revient.")

as a business owner: he paid his workers well, abided by the 35-hour-work-week schedule and yet he has been forced to accept the relocation of a supplier.<sup>15</sup> The business owner fears that he will eventually have to relocate his business. In March, two months before the referendum, Jacques Généreux, an economist and prominent member of the Socialist Party explained the idea that became a concern of many French voters: “After Maastricht, there was no deepening of the political aspect, there was a privatization of public services, a selling of education and health care, fiscal and social dumping, and now relocations...”<sup>16</sup> He represents many French voters who voted against the constitution because of what is seen as an overall liberalization of the EU where relocations take place regularly, without a social aspect to accompany it. In the same article, Généreux comments that:

But those responsible (for relocations etc...) are not the Eastern European Countries. They are the old EU-15, who started a process contrary to that which was done before. Before, there was no reshaping of Europe for the acceding countries, they were told the conditions necessary for entering the union and we helped them to achieve those conditions. It was a “equalizing” done from the top. Today, this is only done by harsh competition.<sup>17</sup>

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<sup>15</sup> Literally a “lout,”/ a bad boss but by necessity

<sup>16</sup> Le Monde, 30 March 2005. (“Seulement, après Maastricht, il n’y a pas eu d’approfondissement politique, mais en revanche, une privatisation des services publics, une marchandisation de l’éducation et de la santé, du dumping social et fiscal, et maintenant, des délocalisations...”)

<sup>17</sup> Ibid., (“ Mais les responsables ne sont pas les pays de l’est. Ce sont les Quinze, qui on engage un processus contraire a ce qui se faisait avant. Auparavant, on ne refaçonnait pas le projet européen pour les nouveaux arrivants, on leur énonçait les conditions d’entrée et on les y aidait. C’était une harmonisation par le haut. Aujourd’hui elle se fait par la concurrence.”)



Thus, while he feels that enlargement has become a problem, it is not because of the countries themselves who recently joined the Union, but rather that the EU has morphed into an enlarged entity that is based only on liberal trade and that embraces relocations. Two months before the vote, the General Director of Economic and Financial Affairs of the EU Commission (La Direction Générale des Affaires Economiques et Financiers de la Commission Européen) released a note discussing the benefits of relocation—which *Le Monde* humorously titled “Happy Relocations” (Les Délocalisations Heureuses).<sup>18</sup> The subject was so controversial that the note finally had to be withdrawn from circulation, because the French vote was too close and the Commission realized relocations were recognized to be a main fear of the public. In the note, the EU argued that relocations increase competition, they have the same effect as an advance in technology and while deindustrialization means a loss of worker employment, it translates to an enormous leap in productivity due to better technology in the long run.<sup>19</sup>

The media coverage continued to appear more frequently as the referendum vote came closer. Articles such as one in *Le Monde* entitled “700 French Companies Created 150,000 jobs in Poland” appeared, and EU Commissioner for Regional Policy Danuta Hubner made the controversial statement that relocations within the EU (i.e. toward countries in Central and Eastern Europe) should be encouraged because it keeps them from going to India or China.<sup>20</sup> It is probable that these comments heightened French fears that relocation would continue to exacerbate the unemployment situation in France; also, because the EU approved of relocation according to Hubner, it would allow it to

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<sup>18</sup> *Le Monde*, 10 March 2005. literally “happy relocations”

<sup>19</sup> *Ibid.*

<sup>20</sup> “700 Entreprises Françaises Ont Cree 150,000 Emplois En Pologne.” *Le Monde*, 2 March 2005 and *Le Monde*, 2 March 2005.

continue. In an article from March in *Le Monde*, a poll showed that the main concern of French enterprises was international competition and that business owners predicted more relocations would take place in the future.<sup>21</sup>

Finally, in April, only one month before the vote on the referendum, articles began appearing more frequently that discussed the problems of a liberal Europe and the challenge of relocations to France. *Le Monde* in particular played an important role, because it published an article discussing the government's access to information on relocations. This article was controversial because it discussed two different reports that the government had received. One prepared for the Minister of Social Cohesion came to the conclusion that relocations were a serious threat to France, while the other only investigated the positive aspects of companies that had resisted relocation and stayed in France "against all odds." However, the administration only released the positive report, while the release of the negative report was delayed until after the referendum vote.<sup>22</sup> It seemed that the government was trying to downplay the negative aspects of relocation to support the Yes campaign. In another article, the reports are discussed in relation to an important televised interview with President Chirac. The interview that took place on 14 April 2005 with eighty three young French people was intended to boost support for the yes vote in a time when it seemed the No's were gaining ground in the polls. In the interview, President Chirac insists that relocation is not as bad as everyone fears, citing only the government report which had drawn the positive conclusions and ignoring the

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<sup>21</sup> *Le Monde*, 8 March 2005.

<sup>22</sup> *Le Monde*, 20 April, 2005.

second report.<sup>23</sup> Thus, the government had gone from finding solutions to relocation in 2004 to trying to downplay the relocations during the campaign on the Referendum.

In the months of April and May, during the key moment in the campaign for the referendum, *Le Monde* published articles, reporting official releases by the EU commission claiming that industrial restructuring within the EU is inevitable.<sup>24</sup> It is plausible that it was the combined messages that the French public received on the issue of relocation which contributed to the rejection of the Constitution. On one side, the President told the public that relocation was not a serious problem for the EU vote, while the EU was releasing reports and statements insisting that relocation was inevitable and had to be treated as an inescapable issue. Finally, just before the vote took place, an article appeared on 26 May, reporting that certain workers of relocated companies had been offered posts abroad for 100 euros per month.<sup>25</sup> This was a necessary offer according to the companies, because of existing legislation forcing them to offer transfers as part of a collective layoff. This exacerbated the already tense situation caused by the fear of relocations (See Figures 2 and 3).

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<sup>23</sup> Ibid.

<sup>24</sup> *Le Monde* 6 April 2005.

<sup>25</sup> *Le Monde*, 26 May 2005.







Figure 2: “N’ayez Pas Peur!” (Don’t be Afraid!)

[Image]

Source: *Le Monde*, 20 April 2005.

This cartoon appeared one month before the vote on the Constitution in France. It depicts French industries delocalizing to the newly admitted Eastern European Countries of the European Union. President Chirac repeated the phrase “N’ayez pas peur” (Don’t be afraid) many times during an interview with 83 young people on the subject of the Constitution. He tried to allay fears that French industries were moving east causing unemployment in France.

Figure 3: “Europe Challenged by Relocations”

[Image]

Source: Le Monde, 20 April 2005

This image portrays former Prime Minister Raffarin threatening to ‘relocate’ his replacement, Prime Minister Villepin. After the Constitution failed to pass, Chirac named Villepin as a replacement. Raffarin was unpopular with the French public and his administration saw many protests against attempts to further privatize the certain sectors of the French economy and to reform areas such as French pensions. Also, the fact that relocation is the ‘threat’ is a joke about public concerns about French industry relocating.



### 3.2 The Socialist Party Campaign

*“One thing is for sure: after all this, we’re all against this liberal constitution, we’re for a Europe of the people, not for a Europe of salesmen”* - Stephane Zervos is a 48 year old man who worked at a factory for 22 years for the Swiss company Ronal. The factory closed in the French town of Saint-Avold to relocate to Poland where production costs are less. The closing put 167 people out of work in a town of 17,000 residents and with an unemployment rate of 13 percent, three points higher than the national rate.<sup>1</sup>

It is useful to discuss the role of the Socialist Party in the campaign because the majority of No voters were from the Left, and the PS forms the largest percentage of No voters within the Left. Many No voters voted against the PS official stand (in favor of the Constitution) based on the same reasons given by the break away PS No campaign. Also, a majority of the Left voters who were for Maastricht in 1992 helped reject the Constitution in 2005.<sup>2</sup> It is important to discuss the PS no campaign because one of its main arguments against the Constitution was that the EU approved of relocations taking and because it was for a liberal free trade area. Of the PS voters polled, 29 percent voted against the Constitution due to a fear of relocation of French Enterprises while 24 percent feared that the economic situation in France was too weak.<sup>3</sup>

The Socialist Party in France did not have a unified stance on the Constitution because a split developed within the Party over the Referendum. The party actually

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<sup>1</sup> EU Business, 27 May 2005.

<sup>2</sup> Ricard-Nihoul, "The French Non," 26.

<sup>3</sup> See table 1.

circulated an internal vote in December of 2004 on the Referendum in order to determine what the official party stance should be.<sup>4</sup> This vote ended with the PS giving its official support to the Yes campaign. However, subsequently some members of the PS broke away and started a campaign for the No vote. PS-No campaign leaders reasoned that they were against an EU of relocations, unemployment, and liberal trade policies that weakened the economic situation in France.<sup>5</sup>

Two principal members of the PS, deputy leader Laurent Fabius and former first secretary Henri Emmanuelli, campaigned for the No vote. Early into the campaign, on 9 September 2004, former Prime Minister (under the late president Mitterrand) Laurent Fabius separated himself from his colleagues in the PS and declared on the prime time television program France 2 “Question Ouverte” (Open Question) that he would only support the Constitution if President Chirac fulfilled four demands. The following excerpt from the interview represents the arguments against the EU.

Fabius : I ask that a new political agenda be created in Europe to fight relocations... the French government said that it is necessary to reduce the European budget, this is a mistake, if we want to fight relocations, notably in Asia and India...it is necessary to develop research, investment, technology, and that costs money...the question of relocations within Europe, a day does not pass without a company leaving France to move to Poland or Romania..

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<sup>4</sup> Ricard-Nihoul, "The French Non," 3.

<sup>5</sup> Site of Appel des 200 French Campaign for the Non (accessed 6 January 2006) [online] available from: [http://www.appeldes200.net/article.php3?id\\_article=328](http://www.appeldes200.net/article.php3?id_article=328)

Interviewer: this began before enlargement and it is toward other countries...China and India

Fabius: yes, of course there are also relocations toward China...but also there are relocations within Europe, we see it in all the departments (of France)

Interviewer: But is it not good that other countries like Poland benefit (from investment)?

Fabius: No, it is not possible for us to finance with our money, the lowering of taxes for these countries...that they take our companies, this makes no sense, so it is necessary to have a “fiscal harmonization” so that French companies do not continue to relocate in Europe on a massive scale like they are doing...”<sup>6</sup>

Fabius later became the leading PS member to lead the No-campaign, in which he argued that relocations were damaging the French economy and threatening social protection in France as well as causing more unemployment in general.

Henri Emmanuelli, a former first secretary of the PS was another leader of the No campaign. He gave an interview with the French newspaper *l'Humanité* and the article was entitled “Bolkestein, Délocalisations, Constitution: le meme idée,” (Bolkestein, Relocations, Constitution: the same idea). This referred to the internal market for services directive and related the ideas of the Bolkestein Directive, and relocations. Following the comments made by Commissioner of Regional Policy Danuta Hubner on wanting to facilitate relocations in Europe, Emmanuelli reasoned that these comments showed the

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<sup>6</sup> Laurent Fabius, *Question Ouverte*, 9 September 2005, France2. [online] available from: france2.fr (accessed 5 January 2006).

true purpose of the latest enlargement, implying that liberal policies and relocations were the basis for the EU.<sup>7</sup> PS No-campaign leaders feared the new EU would damage the economic and social situation because current EU policy is in favor of facilitating company relocations and free trade. Emmanuelli also launched his campaign for the No vote during a demonstration against relocations. For his first official campaign “appearance” he attended a demonstration in Vitry-le-Francois (Marne) where the company Kadhan-Lamort had recently laid off 136 people in order to move the factory to the Czech Republic. Emmanuelli asserted :

I have come here to let people know about your bad situation and to warn the French about relocations/the “constitutionalization” of relocations. If I took liberties with my party, it is because I continue to believe in a Europe that does not follow the policy of social dumping, of the Bolkestein Directive (on services), a Europe of the Liberal Right.<sup>8</sup>

These comments reflect the same reasons given by many No voters; therefore, it is plausible that the No campaign by the PS had an important influence over voters. Also, it is possible to analyze the PS arguments against relocations and liberal trade policies to understand why these reasons were cited as motivations for the No vote.

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<sup>7</sup> l’Humanité, 17 February 2005.

<sup>8</sup> Le Monde, 8 March 2005.

("Je suis venu aider a faire connaître votre mauvais sort et alerter tous les Français des dangers des délocalisations [and against] la constitutionalisation des délocalisations... si j’ai pris quelques libertés avec mon parti, c’est parce que je continue a croire en un Europe qui ne suit pas celle du dumping social, celle de la Directive Bolkestein (sur les services), une Europe de droit libéral.")

### 3.3 Relocations: The Reality

Interview with President Chirac:

Young Lady: Then why do companies close? We see it, clothes are cheaper because they are made elsewhere.

President Chirac: Take a company like Renault that makes cars in Romania. Renault created this year 10,000 jobs of which 5,000 were in France! Relocations are a problem that we must fight by other means, which the government is trying hard to do, but it is not inevitable! Their salaries and their expenses are lower but also their productivity!

Young male worker: Peugeot just moved to Poland. In my region, when Peugeot is not doing well, nothing is doing well. If my company starts to go to the East, we will not have any more work.

President Chirac: But I don't think that Peugeot really wants to go abroad—relocations are extremely positive for the creation of employment in France—that is also the truth. <sup>9</sup>

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<sup>9</sup> “Débat du Président de la République avec des jeunes sur TF1: Referendum En Direct avec le Président,” Official Site of the office of the President/ La Présidence de la République, [online] available from : [www.elysee.fr](http://www.elysee.fr) 14 April 2005. (accessed 5 January 2006)

(“-Young lady in audience : Alors pourquoi les entreprises ferment ? On le voit bien, les habits sont moins chers car ils sont fabriqués ailleurs.

-Président Chirac : Prenez une entreprise comme Renault, qui construit des voitures en Roumanie. Renault a créé cette année 10.000 emplois dont 5000 en France ! Les délocalisations sont un problème contre lequel il faut lutter par d'autres moyens, ce que le gouvernement s'efforce de faire, mais ce n'est pas inéluctable ! Leurs salaires et leurs charges sont plus bas, mais leur productivité aussi !

-Young male worker for Peugeot Sochaux : Peugeot vient de s'installer en Pologne. Dans ma région, quand Peugeot va mal tout va mal. Si mon entreprise commence à partir à l'Est... on n'aura plus de travail...

Président : Mais je n'ai pas le sentiment que Peugeot veuille partir à l'étranger !... certaines délocalisations sont extrêmement positif pour les créations d'emplois en France. Ca aussi, c'est la vérité !”)

From the foregoing, it is clear that company relocation has become a controversial issue in France as a representation of EU liberal policies and as a threat to French employment. However, according to most reports, there are no exact figures or statistics available on actual relocations of French companies. Most studies show that relocation is not as widespread as the French fear, and analysts argue that it only accounts for a portion of the industrial restructuring that has been going on in France for decades now.<sup>10</sup> Sectors such as the leather, textile, and automobile industries have been affected by this relocation. However, information provided by the Ministry of Foreign Affairs shows that all sectors could be affected because of places with low-cost production capability such as India, North African countries, Turkey, Central and Eastern European countries and China. (Asia in general).<sup>11</sup> While the government admits that it cannot stop the process of industrial restructuring of which relocation is a part, it has launched programs to help mitigate its negative effects.

Relocation seems to be affecting many EU countries, and France is not an exception. A study of 23 EU countries shows that sectors in many countries have been affected. For example, the metal-working and services sectors in Belgium has an estimated 10 percent of relocations to the new EU member states and awareness of relocations seems to be high. The same applies to Germany, which has seen its automotive sector relocate to the new EU member states as well as to Asia. Relocations are a source of concern for unemployment.<sup>12</sup> Nonetheless, the French seem to be

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<sup>10</sup> W. Rand Smith, *The Left's Dirty Job: The Politics of Industrial Restructuring in France and Spain*. (PA: University of Pittsburg Press, 1998), 6. and Jean-Pierre Dormois, *The French Economy in the Twentieth Century*. (USA: Cambridge University Press, 2004), 120.

<sup>11</sup> Site of the Ministry of Foreign Affairs/ Ministère des Affaires Etrangères: "Economy-Structural Features of the French Economy." [online] available at: <http://www.diplomatie.gouv.fr> (accessed 24 January 2006)

especially sensitive to the issue because of socio-economic concerns. This includes fears that France's social standards render it unable to compete with new member states. Also, the fact that France has one of the highest rates of unemployment of all the OECD countries is no doubt a source of concern about relocations.

The French government as well as the EU Commission have proposed and implemented certain measures to counteract the negative effects of relocation. For example, there have been proposed policies to deal with relocation include defining priority sectors at the European level, increased research funding and innovation at the EU level, and a type of new-colbertism which would plan at the EU level development by sector.<sup>13</sup> In 2005 France put more emphasis on helping high tech sectors rather than supporting unskilled labor areas (such as textiles).<sup>14</sup> This is the creation of areas that would receive aid in order to focus on only one aspect industry or service (“competitiveness poles”), but it remains to be seen if this policy will work.<sup>15</sup> In the meeting of the Council of Ministers of 12 February 2003, the EU created the MIMI (Mission Interministérielle sur les Mutations Economiques) which monitors economic changes. It is in place to anticipate a restructuring and to oversee aid given after

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<sup>12</sup> Robert Pedersini, “Relocation of Production and Industrial Relations” European Foundation for the Improvement of Living and Working Conditions. 2 June 2006. [online] available from <http://www.eiro.eurofound.ie/2005/11/study/tn0511101s.html>

<sup>13</sup> Catherine Mathieu and Henri Sterdyniak, “International Relocation and deindustrialization : some French perspectives” in *Competition from Emerging Countries, International Relocation and their Impacts on Employment*, 6. Observatoire Français des Conjonctures Economiques, 5. [online] available from <http://www.euroframe.org>.

<sup>14</sup> Ibid., 7 and 13 July 2005 International Herald Tribune [online] available from <http://www.iht.com/articles/2005/07/13/business/web.franc.php>

<sup>15</sup> Fotagne and Lorenzi, 107.

restructuring takes place. Also, the government created a program to aid certain regions affected by restructuring.<sup>16</sup>

The EU and even reports of French origin explain that relocation is a necessary and normal trend in the EU integration process. For example, relocations are perceived to be beneficial because of international enrichment for all countries, and for France in the form of new markets.<sup>17</sup> However, to what extent have the French actually seen this occur? Relocation, according to the EU,

Occurs when a business or activity is totally or partially ceased, to be reopened abroad by means of direct investment. In the European Union we can distinguish between two types of relocation: a) internal: total or partial transfer of business activity to another member state, or b) external: total or partial transfer of business activity to non-EU countries.<sup>18</sup>

Relocation falls within the EU's goal to become more "competitive," which is explained as "the ability of the economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis, the capacity of a society continually to anticipate, adapt to and influence its economic environment."<sup>19</sup> The author of a report meant to demonstrate the positive effects of the recent enlargement, Francois Loos, the former French Minister of Foreign Trade from 2002-2005, acknowledges the French fears of relocation, but tries to explain that it is not as widespread as No voters fear. He comments that there is not a pattern of deindustrialization but rather a

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<sup>16</sup> Mathieu and Sterdyniak, 7. (called "contrat de site")

<sup>17</sup> See section "De la Réalité des Délocalisations." Sénat : Rapport d'information n 374 Session ordinaire de 2003-2004 by François Grignon, 2004. <http://www.senat.fr/rap/r03-374/r03-3741.pdf>

<sup>18</sup> Official Journal, Article 1.18.

<sup>19</sup> Ibid., article 1.3



restructuring which is a natural occurrence that simply must be addressed with the proper economic and social legislation. Loos also remarks that most of the relocation cases today threaten countries such as Mexico rather than France, which already experienced this phenomenon in the 70s and 80s on a large scale. However, Loos later concedes that relocation of French companies has taken place toward the newly acceded countries. He notes that it took place in the past when FDI (Foreign Direct Investment) from France to new members of the EU went from 4.6 percent in 1998 to more than 20 percent in 2001, but it diminished again.<sup>20</sup> FDI (investment into structures or equipment in a country) is often used to measure relocations. Thus, the EU recognizes this problem, but an analysis of how relocations have affected France is useful.

The recent enlargement of the European Union is a key factor in the analysis of how relocation has impacted France. In a poll from 2004, the French had a mostly negative reaction toward enlargement, with 47 percent of those polled affirming that they were against it.<sup>21</sup> However, the actual integration of the “new” countries has been going on since accession negotiations began in the 1990s; and the new countries have been integrating their economies with those of the rest of the EU-15 for almost a decade. Some of the results of the recent enlargement, however, do validate the fears of the French No voters. Analysts argue that the imports from the newly acceded countries have created a more competitive environment for EU manufacturers and have driven prices down for EU consumers. Since the accession and breaking down of borders began in the 1990s, the

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<sup>20</sup> Francois Loos, *L'élargissement européen moteur économique pour la France*, Ministère de L'économie des Finances et de L'Industrie, section 3 [online] available from [www.europe.gouv.fr](http://www.europe.gouv.fr).

See also

Katinka Barysch, “East Versus West ? The European Economic and Social Model after Enlargement,” *Center for European Reform*, London, England, 6 [online] available from [www.cer.org](http://www.cer.org).

<sup>21</sup> Eurobarometer 61 2004 [online]; available from [http://europa.eu.int/comm/public\\_opinion/archives/eb/eb61/exec\\_fr.pdf](http://europa.eu.int/comm/public_opinion/archives/eb/eb61/exec_fr.pdf).

new EU members have received 160 USD or EUR 130 billion in FDI mostly from the old EU-15, which includes the establishment of new factories.<sup>22</sup> Loos notes that France is the first investor from abroad in Poland as well as in Romania, and third in the whole zone of newly acceded countries.<sup>23</sup> However, it is likely that part of this FDI is in the form of relocated companies because FDI is one way to measure the trend. The actual overall effect of Eastern enlargement is very difficult to gauge, but some tentative conclusions have been drawn from a Munich-based research group. Barysch, chief economist for the Center for European Reform remarks that, “Since Western Europe has traditionally run a trade surplus with central and Eastern Europe, the impact of trade integration was almost certainly positive for the old EU.”<sup>24</sup> Also, “the wages are much lower in countries such as the Czech Republic, Hungary and Poland than in France,” which is an attractive feature leading to the relocation of French companies. However, since productivity levels of the average western European worker are higher than in the new EU countries, wage differentials are not necessarily a guarantee that companies will relocate.<sup>25</sup> Generally studies have shown that enlargement will be an overall benefit for Europe but that the immediate consequences are “immediate and concentrated on a geographical and sectoral basis” such as relocation.<sup>26</sup>

The scope and degree to which relocation has actually affected France is difficult to measure. Nonetheless, analysts argue that it is taking place in France to a certain extent. In a study led by The Bank of France in 2004, the authors found that the scope of

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<sup>22</sup> Katinka Barysch, “EU Enlargement: How to reap the Benefits, Survey EU Enlargement.” *Economic Trends Journal*, (2004). 28.

<sup>23</sup> Loos section 2.

<sup>24</sup> Barysch, “East versus West.”

<sup>25</sup> Ibid and Barysch, “How to Reap,” 2.

<sup>26</sup> Ibid., 4.

relocations is limited but has the capacity to grow much larger.<sup>27</sup> Most studies available on the subject are inconclusive on the exact proportion of company relocations for several reasons: the data used to measure relocations is not gathered expressly to measure them. Instead, it is used to measure either foreign direct investment (FDI) or import/export activity. FDI is not completely indicative of relocations because there are generally (at least) two different kinds of FDI. These are either vertical/efficiency investment or horizontal/market-seeking investment which is not considered to be complete relocation. Also, it is possible to have a combination of these two different kinds of FDI thus rendering it almost impossible to gauge an exact measurement of the occurrence of relocation.<sup>28</sup>

As for measuring relocation by import/export information, this is also not completely reliable because a relocated company could be exporting the same goods as the host country to which the relocated company moved, thus giving inaccurate measurements on the exact amount of exports from a relocated company.<sup>29</sup> Also, deindustrialization is considered to be a main aspect of most developed societies; the transition from a manufacture intensive society to a services based society is a natural one.<sup>30</sup> In 2000, a survey found that 50 percent of firms surveyed considered market access as a first motivation for investment in the accession countries, while 30 percent of that 50 percent of FDI was the horizontal type and only 20 percent was the vertical type (associated with relocations). Most studies seem to conclude that relocation is not as

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<sup>27</sup> "La Délocalisation, Bulletin de la banque de France," 132 (December 2004), 27 [online] available from [www.banque.france.fr](http://www.banque.france.fr).

<sup>28</sup> *Ibid.*, 32.

<sup>29</sup> *Ibid.*, 16-17.

<sup>30</sup> Grignon, "Deuxième Partie, Section A" (Second Part, Section A)

widespread as feared or as public debate implies. Also, studies show that increasing wage levels are decreasing the attractiveness of the newly acceded countries for vertical type investment.<sup>31</sup> This aspect would lead to the conclusion that even if there is a trend of relocation to the new EU member states of Central and Eastern Europe, it would not continue indefinitely due to increasing wage levels.

The authors of another study concluded that certain sectors from 1978-2002 experienced a loss of jobs in France most likely connected to relocations: clothing and leather production, fuel production, household equipment, and electronic equipment. The same study reports, however, that information from the European Monitoring Center on Change (industrial restructuring in Europe) only attributes 6.3 percent of employment losses in France to international relocation.<sup>32</sup> Thus, it is possible to conclude that while the actual phenomenon of relocation is hard to measure, it has nonetheless taken place and is a part of the process of deindustrialization that the French observed. This is because France's economy is overwhelmingly dominated today by the services sector. Nonetheless, there are some estimates available for certain sectors affected by relocation.

Studies show that certain sectors are more likely to have been directly affected by relocation such as the automobile, telecommunications and the textile industries. The Western European car market is the world's largest and the location of new factories in the new countries is taking place due to low cost production and potential for a future market in these areas. However, the study by Frederique Sachwald on relocations sponsored by the French Institute of International Relations shows that France is the only

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<sup>31</sup> Frederique Sachwald, "The Impact of EU Enlargement on Firms' Strategies and the Location of production in Europe." *Tokyo Club Research Meeting*, (November 2004), 38 [online] available from [www.ifri.org](http://www.ifri.org).

<sup>32</sup> *Ibid.*, 16-17.

exception to the trend of automobile factory relocations to the new countries because French carmakers are not yet completely installed there. The general prediction is that this will change as more French carmakers such as Peugeot and Renault open factories in the East due to low cost production and potential for a future market in these areas.<sup>33</sup> In the telecommunications sector, France imports more than it exports which could mean that relocations have taken place. Sachwald notes that Eastern European countries have become more specialized since the 1990s in the production of telecommunications products from the Czech Republic and Hungary; but Japan and China are still much more specialized.<sup>34</sup> Also, analysts argue that Eastern Europe will not long remain a location for low wages as the newly acceded countries gradually develop to the former EU-15 wage levels, but it will, however, continue to move to areas like the Ukraine and China.<sup>35</sup> The textile and clothing industry is the industrial sector most affected by relocation according to most measurements. This industry represents 7.4 percent of industry in Europe and between 1993-2002, imports from the new EU member states increased by 100 percent. However, the market share of East European countries was only 25 percent, showing that the most imports of European countries come from China which had close to 73 percent of the market share.<sup>36</sup> According to this study, China would be more responsible for relocations than the newly acceded Eastern European countries. Thus, the textile and telecommunications sectors have been somewhat affected by relocations and the automobile industry in France is likely to experience future cases of relocations.

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<sup>33</sup> Sachwald, 19-21.

<sup>34</sup> Ibid., 32.

<sup>35</sup> Barysh, East versus West, 10.

<sup>36</sup> Sachwald 35- 36.

In another study, French Senator Grignon (1995-2006) concludes that relocation is not as widespread as some French fear; rather it is only certain areas that are in danger. He reports that it is mostly areas that are rural with a weak industrial presence that (when they do experience a company closing) suffer the worst. He gives the example of the company Limoux, which closed a site in 2000 in the Carcassonne region taking 500 industrial jobs away from an area which had less than 7,000 industrial jobs.<sup>37</sup>

The French national statistics bureau also recently completed a study on relocations that draws many of the same conclusions as the previous studies. The authors argue that over the 1995-2001 time period, relocations only represented .35 percent of the reduction in industrial employment annually which comes to about 13,500 employments relocated per year. They conclude that while this is an estimate, it is probable that French fears are exaggerated with regard to relocations.<sup>38</sup>

Thus, it is possible to draw several conclusions from a review of recent studies on relocations, even though different methods were utilized to estimate the actual amount of relocations of French jobs. Most studies conclude that relocation has occurred to some extent in the form of companies moving to either Eastern European countries or Asian locations such as Japan or China; and that FDI in the form of both vertical, horizontal or a hybrid combination of the two has occurred on a larger scale in these areas. They also show that relocation is a part of a larger process of deindustrialization which most agree is a natural process of developing countries that are transitioning to a more services based

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<sup>37</sup> Grignon, "Deuxième Partie, Section B, 1 b"

<sup>38</sup> "Délocalisations et Réductions d'effectifs dans L'Industrie Française," *Dossier, INSEE*, 2005, 70.

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[http://www.insee.fr/fr/indicateur/cnat\\_annu/base\\_2000/documentation/publications/ecofranc\\_2005\\_3.pdf](http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/documentation/publications/ecofranc_2005_3.pdf)

economy. Lastly, it is clear that certain sectors have been more affected than others such as the textile division in France.

### Conclusion

Though the Treaty on the European Constitution was considered to be a historic milestone in the long process of EU integration, its failure to pass in France and in other countries in the EU has provoked questions concerning continued integration. The Netherlands held a referendum on the Constitution on 1 June 2005; this was directly after the French vote in May. These No's have stalled acceptance of the Constitution in other countries, namely in the Czech Republic, Denmark, Ireland, Poland, Portugal, Sweden and the United Kingdom. Some argue that EU integration will continue and that this is only a short period of disillusionment caused by persistent unemployment, especially in France. The French rejected the Constitution mainly for economic and social reasons, and it is unclear how these concerns will be addressed by policy makers in the future.

It is clear that liberal policies at both the EU and national French level play a large role in how the French form their ideas on European Integration; especially because these policies are perceived to exacerbate the unemployment situation. Certain aspects of the EU heightened French fears of unemployment such as relocations and the addition of new countries to the Union in 2004. This became a basis of the PS argument against the Referendum. The leaders of PS no campaign asserted that relocations and unfair competition with an enlarged EU were among the main justifications for rejecting the Constitution. This is mainly because the Constitution came to represent the idea of an EU that was too focused on liberal trade and not enough on social protection. This can be observed in media coverage reporting relocations in France or by interviews with the



President where young French workers expressed their concerns about liberal competition, relocations and job loss. Even though the process of enlargement had already taken place, the French still feared liberal EU policies would create unfair competition leading to job losses.

The actual phenomenon of relocation does not appear to be as widespread as French fears would imply, but studies suggest that there are some areas of France that are affected by relocation mainly because they are dependent on one of the sectors that is affected by globalization such as textiles. Thus, when one company relocates to another area, the effects seem to be extremely harsh mainly because the area is underdeveloped and largely dependent on that one sector. Also, studies suggest that a natural transition to an economy based more on services is normal and has been going on in France for years. The combination of public debate on relocation combined with the campaign against the Constitution heightened fears of liberal competition that would damage the French economy and create more unemployment.

The Socialist Party campaign for the No vote expressed the same logic that liberal EU policies were causing relocations and unfair liberal competition. This logic reflects the motivations many No voters gave for rejecting the EU Constitution. This can be observed in the PS campaign initiated by L. Fabius who asserted that relocations were taking place throughout France and EU liberal policies were threatening French jobs. Another prominent PS No campaign leader, H. Emanuelli argued that they had lost the battle for a social Europe, a Europe that is not based on liberal free market principles, and one which has legislation in place to protect against harsh or unfair competition.

It is interesting to note that the vote on the Constitution came to symbolize a vote of approval of the EU in general. The vote came to represent not only an opinion on the actual text of the Constitution, but also a vote on an enlarged Europe and on the type of Europe that should exist. On one side there are those who believe Europe should not be a place where relocations and liberal free market trade takes place. The other believes that more competition will lead to better benefits for all Europeans. However, liberalization is a process that has been taking place in the EU and in France for decades; it is not a new trend. Former Commission President Jacques Delors emphasized the importance of the market when he initiated the Single European Act and liberalization has been taking place in France since the economic U-turn of 1983 under late former President Mitterrand. Nonetheless, the 2005 No vote results from the recent emphasis on liberal trade in the form of the Lisbon Strategy, as well as a fear of international competition within the newly enlarged Union. Also, the continued stance of French politicians against liberal trade and the current French government's inability to resolve the problem of unemployment contributed to French discontent. The government must find a way to solve its current economic problems that have become a main concern of the French public.

The No vote is significant in a broader context because it raises questions about the social and economic status quo of France and Europe. In order for further European integration to continue, there must be an agreement between all the member states on the type of Union that should exist. A consensus must be reached on what type of market and social model should exist in the Union. This is especially important for the French and British, who have been at odds over these issues since Britain joined the Union. Lastly,

the French must accept that their participation in the Union adds pressures of competition in a globalized world. France faces competition from countries within the Union as well as countries that are not part of the internal market. Policy makers have made considerable progress in making the French economy more competitive, but many politicians have continued to speak out against competition and globalization while pursuing liberal policies simultaneously. These contradictions must be resolved in order to guarantee the future economic and social success of France.

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