

France: Iraq war speeds up government's austerity measures

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Having announced at the National Assembly that the Iraq war crisis was contributing to a moment of “national unity,” the government of Prime Minister Jean-Pierre Raffarin has specified that “world events are speeding up the calendars [of the reforms he has announced].” This declaration goes beyond a simple attempt to use the rise of President Jacques Chirac in the opinion polls, following his opposition to US war plans at the UN, to rapidly push through the “reforms” already prepared by the government. They represent more broadly an attempt to adjust the French economy and public opinion to the new world reality inaugurated by the invasion of Iraq by US forces.

The crisis over Iraq has deepened the awareness within French ruling circles of their massive military inferiority in comparison to the US. Henri Martre, former head of the French defense firm Aérospatiale, announced on March 4 that “pan-European military organization is going up in smoke” faced with an offensive by US defense firms, which are encouraging European countries to buy US weapons systems. One of this offensive’s recent successes was Poland’s decision to buy US F-16 fighters instead of the European Eurofighter or Rafale models.

The daily *Le Monde* commented: “The American [military-industrial] offensive seems to be achieving its goals: to exploit the relative weakness of European defense budgets by capturing a large percentage of them, so as to leave no funds for autonomous European programs.”

The European armies are technologically far behind their US counterparts, especially in regard to contemporary war, with its long-distance fighting: large transport planes, satellite positioning systems, cruise missiles, etc. *Le Monde* writes, “The A-400M transport plane and the Galileo satellite position system, which is

meant to rival the American GPS, are currently falling behind” for lack of funds.

Le Monde asked: “Does the European military-industrial complex still have the means to face up to the Americans, like European diplomacy?” It noted that the US military budget (355 billion euros) is more than twice as large as the defense spending (150 billions euros) of all European countries put together, and that US military research funds are eight times larger than the corresponding European figure. It added that, compared to their European counterparts, US defense contractors offer far superior working conditions to researchers and management.

The new world reality created by the Bush administration’s abandonment of international law will encourage ruling circles in European countries who have opposed the US to deepen their social austerity policies, to free up the funds needed to minimize the US military lead. This dovetails with the agenda of the Raffarin government, which has always been to favor military spending while enacting “reforms” in social spending—and which is now declaring that a moment of “national unity” is encouraging it to do so.

The government has intensified its social attacks on public sector workers. On pension “reform” the minister for social affairs, François Fillon, officially announced that the government is seeking to increase the length of working lives to 40 years. He added that after the end of the governmental-level “pension reform,” the government will form committees of management and union representatives to make the necessary “adjustments of the reform.”

He also let it be known that after the end of the discussions on “pension reform,” salaries will also be targeted for “reforms.” Public sector workers’ salaries have lost roughly 2.6 percent of their buying power in

the last three years. A union official indicated that “nothing leads us to believe that there will a positive evolution on the central issues” concerning salaries in the public sector.

Under the twin blows of very weak economic growth and the Iraq war, President Chirac is also threatening public sector workers’ job security. He invited his ministers to evaluate “in detail the methods of execution of their credits and of their public spending.” The finance minister is counting on between 10,000 and 30,000 job cuts. The government has assured that these reductions will not affect the increased spending on the police and the armed forces.

French ruling circles are also pressing the government to extend the social assaults to private sector workers. Ernest-Antoine Seillière, chief of the Medef (Movement of French enterprises, the businessmen’s association), has launched a campaign to insist that “pension reform” must not remain limited to the public sector.

Alain Madelin, the former head of Démocratie Libérale (a free-market party with links to extreme-right elements) who is now a member of the ruling right-wing UMP party, is forming “circles” inside the UMP to discuss the planned reduction of income taxes to 70 percent of their current levels, a UMP campaign promise. He is voicing opposition in ruling circles to Chirac’s floating the idea of putting off the tax cuts until the French government’s budget situation improves, and to slow down the process of applying the cuts.

The economic situation in France, even before any possibly destabilizing effects of the Iraq war, presages attacks on the working class. The government has officially predicted 1.3 percent GDP growth rate for 2003; this is so low that it is predicting a “steady” rise in unemployment.

Several large firms are in shaky condition, having announced record losses or suffering from massive indebtedness. France-Télécom, facing 70 billion euros in debts, is cutting 13,000 jobs, of which 7,500 are in France. Alcatel is announcing record losses of roughly 4 billion euros for 2002 and will announce restructuring plans. The transportation and energy firm Alstom, which is “on the verge of giving up hope” according to one financial analyst, has announced a record 1.4 billion euro loss for 2002 and several spin-offs; unions

fear that this will lead to massive job losses.

Even these accounts may well be overestimates based on accounting fraud. The Stock Market Operations Committee (COB) reprimanded several firms—including Vivendi, Suez, Vinci and Wanadoo—for having published accounts based “solely or principally on concepts that are not defined by French accounting texts.” The COB is considering asking the firms in question to publish new accounts.

French economic difficulties, the expression of a crisis that is affecting all the world economic centers, are also taking on a political dimension. French ruling circles’ opposition to the war in Iraq may end up prompting the US government to start a trade war with France. New York Representative Pete King announced, “We have too long been a punching bag for this third-rate country [France].... We should no longer treat them as allies, and make them feel it where it hurts, in the wallet.” US Secretary of State Colin Powell has mentioned the possibility of “consequences on bilateral relations, at least in the short term.” French business circles are counting on losing contracts with the US government, at the very least.

At a time of intense inter-imperialist tensions, the political and international character of the fight to protect workers’ living standards, in France and elsewhere, becomes apparent. The French ruling elite will not be able to grant real concessions to workers. They are already committed to austerity politics to finance a more powerful role in a world where the law of the jungle is increasingly the only determining principle of international relations.



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