# French industry's grand maneuvers

*Laurent Murawiec charts the battle at the top between monetarists and Colbertistes for control of investment policy.*

French liberals of the Sir Keith Joseph variety are in mourning; a major offensive has been launched by the *dirigiste* element in President Giscard's administration, referred to by the New York Council on Foreign Relations as "neo-mercantilists," against certain bastions of "free trade" power inside the topmost leadership of French industry.

On June 9, Prime Minister Raymond Barre sent a stiff letter to the chairman of the 70 percent state-owned ELF-ERAP oil giant, Albin Chalandon, enjoining him to conduct a review of the company's policy and organization and to drop a planned takeover bid for the U.S.-based $3.5 billion raw materials combine, Kerr-McGhee. It is known that Barre's move was inspired by the staunchly dirigist and increasingly influential Minister of Industry, André Giraud, former head of France's Atomic Energy Commission.

This unprecedented public dressing-down of the head of the country's largest corporation has had its effect. From the London *Economist* bitterly complaining about the "nationalization" of French industry to the left-liberal *Le Matin* and David Rockefeller's personal agent at *Le Figaro*, Chalandon has found many defenders. *Le Monde* ascribed the event to an ever more powerful dirigist vendetta against liberals.

Indeed, the French government and the Colbertiste civil service have pulled a series of major operations, strengthening and concentrating industry in preparation for participation in Giscard's policies of "a European superpower" forging productive links with OPEC and the developing world.

But if the aim is political, the content is industrial growth, and this is the reason monetarist forces entrenched in high-level power positions in the civil service and major publicly owned corporations are now being mopped up.

## ELF: showing the door to the chairman

The fact that Chalandon still chairs the Societé Nationale ELF-Aquitaine (ELF-ERAP) is a reflection of the domestic compromises passed a few years back by Giscard, who handed control of this industrial giant to a faction of monetarist liberals whose support he needed.

Control over the enormous cash flow and investment muscle of the largest French corporation was coupled, for the liberals, with the creation of an independent directorate general for energy in the Industry Ministry, which was entrusted to a leading exponent of soft technologies and soft energy.

Chalandon himself was Housing and Construction Minister from the late 1960s to the early 1970s, and oversaw the rise of an unprecedented speculative real-estate boom. His political loyalties lie with the Zionist, Permindex-linked aircraft manufacturer Marcel Dassault, whose banking interests he ran for years.

Giscard's pursuit of the strongly nuclear-oriented French energy program, and his Third World development orientation, made continued monetarist control of the ELF asset incompatible with further progress for that strategy.

Advocating an investment policy heavily concentrating on "politically safe" areas which happen to coincide with the borders of the British Commonwealth plus the United States, Chalandon would have become an independent power with the purchase of Kerr-McGhee—the czar of an empire whose resources and decisions would have stretched beyond the reach of the original number-one stockholder, the state.

Insiders indicate that Chalandon's chances to be reappointed chairman of ELF-ERAP when his term expires next month are so slim that he may be cornered into resignation even before that.

## Chemicals restructuring and the energy sector

ELF-ERAP has just bought a 40 percent participation in the basic chemicals firm Naptha-Chimie, which the large Rhone-Poulenc conglomerate is shedding to concentrate solely on fine and specialized chemicals. Another 7 percent of the stock goes to the local British Petroleum affiliate, while Rhone keeps a 20 percent share. For the latter, the operation allows a long overdue liquidation of its heavy debt backlog, and fresh money for chemical investments.

As ELF-ERAP announced its intention to consolidate its acquisition with its 50 percent-owned subsidiary O-Chimie, the other half-owner, the Compagnie Française des Petroles (CFP), also known under its trading name Total, took the rare step of breaking the secrecy of negotiations to demand that ELF hand it half of its new purchase! Since the state is the lead shareholder in CFP (with a 40 percent stake), it is clear that CFP received the government's green light to hit Chalandon from this side as well.

Apparently, the straw that broke the camel's back was Chalandon's astonishing initiative of calling for a price parity between crude oil and natural gas—right in the middle of extremely delicate negotiations between Gaz de France and Algeria. Chalandon's only bedfellow in this affair is the chairman of Deutsche BP, Hellmuth Buddenberg, whose statements and actions to this effect have had him ostracized by the West German energy industrial community.

Sources in Paris report that a merger between ELF-ERAP and the CFP is under consideration, on the heels of an internal reorganization of the former. A merger would create a "king-sized" French oil multinational, and allow the French government to cut its share in ELF, as the intention was stated; one may venture that Arab friends of France might be interested. Chalandon's ouster, and his mooted replacement by M. Besse, head of Cogema, the nuclear materials arm of Giraud's old Atomic Energy Commission, would certainly help along such a reorganization.

## A national electronics and computer capability?

Less than a year ago, the Industry Ministry gently compelled the giant conglomerate Compagnie Générale d'Electricité to yield its majority shareholding in CII-Honeywell-Bull, the electronics and computer manufacturers, to the other giant conglomerate Saint Gobain-Pont-à-Mousson (SGPM). This was the endpoint of a very long story: CII-Honeywell-Bull was the ailing legacy of 20 years of abortive Gaullist efforts to create an independent national computer and electronics capability.

From a national security standpoint, the market share of IBM, ITT, et al. is and was unbearable—as the French realized when they started developing their own nuclear deterrent. But for rather murky financial reasons, the attempt to turn the computer firm Bull into a full-sized operation failed, and Bull had to be sold off to General Electric, only be to resold later to Honeywell.

Meanwhile, Michel Debré, acting on behalf of General de Gaulle, tried to build up the Computer Master Plan and set up an industrial arm, the Compagnie Industrielle pour l'Informatique (CII) and an administrative one, the directorate general for computer science. While CII developed remarkable technological capabilities, financial troubles hit again, a not unfamiliar event in this politically important sector—and CCI finally had to be merged into Honeywell-Bull and passed on to CGE and its chief executive, Ambroise Roux, one of the leading corporate advocates of soft technology orientations.

The renewed effort put into the leadership of SGPM now has assumed vast proportions. Two months ago, SGPM took a 15 percent share in Italy's largest computer and electronics manufacturer, Olivetti. And in July, it shed its fireproof materials interests and sold them to Ciments Lafarge, the fast-moving construction and equipment materials concern, which will now be vying for second spot in Europe behind Germany's Didierwerke. Headed by a man whose career started with a Ph.D. in German, SGPM is now poised to develop the CII-Honeywell-Bull operation, together with Olivetti, into a major business.

## European implications

This Italian foray by a French heavyweight should draw attention to a process that started half a year ago, a rapprochement between French industrial interests and Italy's Agnelli interests. The proper context should be Agnelli's recent article in the U.S. quarterly *Foreign Affairs*, where the owner of Fiat demands that the West help the U.S.S.R. expand its petroleum production by removing all constraints on sale of advanced drilling and other technologies. The still pending Togliattigrad II project for tractor, auto and truck production is also relevant.

Fiat, which also owns an interest in Olivetti, is negotiating with the Spanish government and French automakers to sell the latter a good chunk of its Spanish affiliate, SEAT. Renault or Peugeot would be the buyer. Two weeks ago, Agnelli went out of his way to announce that advanced negotiations were being conducted between Fiat and Peugeot on a project to jointly manufacture high-value car components.

Not coincidentally, Agnelli has recently enlarged his direct collaboration with French Rothschild interests, in the industrial finance field as well as for third-country investment, in Mexico in particular—and the French Rothschilds have effected a spectacular rapprochement with Giscard over the same period.

Finally, Aeritalia and Aerospatiale of France have just decided to launch a feasibility study for joint production of a commuter airplane.

Keeping in mind Giscard's recent words in Kassel, West Germany, about designing a "Franco-German industrial strategy," as well as his effort to bolster Euro-Arab Third World relations, the *grandes manoeuvres* of French industry acquire a new meaning. And it should now be clear that the debate is not some state-versus-free enterprise affair, but industrial development versus the liberals' soft technology, zero-growth policies.