# Report from Paris by Laurent Murawiec

## Mass unemployment heralds storm

*The government's shutdown of the steel industry is just the beginning of the austerity drive.*

Five days after several tens of thousands of steelworkers from the eastern region of France, Lorraine, poured into Paris to protest the 25,000 layoffs resulting from the Socialist government's new steel rationalization plan, the announcement of the latest unemployment figures has dealt a new blow to the credibility of François Mitterrand's economic policy.

The Socialists had bragged about their ability to "purge" the economy without creating greater unemployment. Now unemployment has increased by 10.4% in the last five months, and more unemployed have joined the lines in the first quarter of 1984 than during the whole of 1983. There are now, according to official figures, 2.24 million jobless in the country, and it is widely expected that another half million will be added before the end of the year. At current rates, 42,000 workers lose their jobs without finding new ones every month.

As many workers have lost their jobs since October as had in the 22 months before that. In the spring of 1982, a senior economic adviser on the presidential staff, François-Xavier Stasse, had told this reporter that "we are going to solve the problem of the current account and the trade balance by creating a recession: less imports, less deficit, less inflation." It would seem that the recession part, at least, has succeeded beyond expectations.

The International Monetary Fund's "Outlook Report" on France has provoked something of a storm in Paris. In the report, the IMF announced that it expects unemployment to hit 9.9% by year-end.

Gross corporate investment fell by 2.4% last year, according to the national statistical agency, and fixed industrial investment by 4%. It is mainly exports that went up (2.3% in real terms) while imports dropped 3.1%. The trade balance "recovered," and so has the current account.

The result is that the Socialist government is presently busy liquidating basic industries, starting with steel. Under the "reform" of the steel industry introduced last month, several million tons of steel-making capacity will be shut down, including some of the country's most modern specialty-steel facilities.

French capacity to produce heavy steel for capital goods and construction—products like beams, bars, pilings, and rods—is being decimated. Consumption goods will be hit less hard, as the idea is to orient production more toward new and lighter types of steel for automobile bodies, home appliances, etc.

The new measures will emphasize small steel furnaces, using scrap iron as a raw material instead of pig iron—recycling of old resources instead of production of new. High-technology capital in the steel industry will be dismantled, as researchers, engineers, and skilled workers are laid off.

Among those plants that will be closed is the Ugine-Acier works at Fos-sûr-mer, which produces one-third of France's specialty steel. Ugine-Acier is the only French firm specializing in steel for roller bearings, and employs 1,250 skilled workers. Its closing will accelerate the industrial decline of the port of Fos, and 2,000 jobs will disappear as an indirect result of the plant closing.

In the shipbuilding industry, a similar situation prevails. The government has announced that capacity will be cut by one-third by 1986.

Meanwhile the external debt has now grown to close to 500 billion francs, and France will have to raise $20 billion next year to settle interest, amortization, and current account liabilities. The foreign debt jumped by 52% last year.

Banking sources report that France has been cautiously investigating, with a few Persian Gulf central banks and treasuries, the possibilities of raising Euro-credits aimed at consolidating its present high-cost debt.

The Socialists' problem is that they have created debt, both on account of a soaring budget deficit now at 3.35% of GDP and of the trade and payments deficit, without putting the debt to good use in expanding real production. Instead the money was wasted on nationalizations, the hiring of more civil servants, the funding of moonbeam "post-industrial" projects—and now the debt is crushing industry.

Mitterrand is left with virtually no leeway, between social destabilization led by the Communists, and the punishing watchdogs of the international creditors of France. The number one victim is the country's industrial potential.