

# Industrial decay key to France poll

**N**O SMOKE billows from the colossal Florange steel mill in northeastern France and only a skeleton crew tends to its upkeep, yet the indefinitely idled plant has become a battleground for the upcoming presidential election.

Temporarily shuttered since late last year for lack of orders, the ArcelorMittal steel works symbolises the industrial decline that is a key campaign issue for both President Nicolas Sarkozy and Socialist challenger Francois Hollande.

Fearing that the mill's blast furnaces may never be fired up again, about 200 exasperated workers occupied management offices at the plant on Monday to protest against the closure.

While steel workers are heartened to see politicians finally taking the plight of the long-struggling sector seriously, they fear that unless campaign promises of reform and investment translate into action, it may be too late to halt the decline.

"It's good to see people talking about industry but the politicians have a lot of catching up to do. Otherwise we're not going to survive," said third-generation steelworker Jean-Pierre Breme, a foreman at Florange. "They want to go backwards, they want to reindustrialise. They want to go back to all the things they threw out in the past, saying it was a load of rubbish."

Mr Sarkozy and Mr Hollande, who is well ahead in opinion polls, are pushing rival ideas to save industry, with the conservative incumbent focused on structural reforms and his Socialist challenger calling for more investment.

Florange's twin blast fur-

naces are the last of dozens that used to smelt iron ore and coke in the Moselle valley, the heartland of steel making for three centuries that is now part of the nation's rustbelt.

Florange has outlived other steelworks in this borderland flanking Belgium, Luxembourg and Germany thanks to hard-to-

beat productivity, but high costs and persistently weak demand for the steel slabs it produces leave workers wondering whether not only the plant but also steel making in France have any future.

With industry bleeding jobs and factory shutdowns frequently grabbing headlines, other candidates including far-right leader Marine Le Pen, centrist Francois Bayrou and leftist Jean-Luc Melenchon, have seized on the sector's plight.

The demise of plants like Florange has left France one of the least industrialised of some 40 advanced economies tracked by the Organisation for Economic Co-operation and Development (OECD). Manufacturing contributes less to gross domestic product in France than in Britain, which Mr Sarkozy recently asserted had no industry. According to OECD data, only Luxembourg and Greece are less industrialised.

One key debate in the two-round election on April 22 and May 6 is about whether to shift to a new economic model favouring supply-side, pro-business policies or to continue relying on consumption and investment to fuel growth.

Mr Sarkozy has focused on cutting labour costs to give France a competitive edge while Mr Hollande — a social democrat

## NEWS Analysis

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**CANVASSING:** France's president and 2012 presidential candidate Nicolas Sarkozy, right, speaks with butchers yesterday. REUTERS

who is popular but lacks government experience — is banking on investment and innovation to restore the country's industrial prowess.

In Florange, workers are pinning hopes on a €600m pilot programme that could halve carbon dioxide emissions and energy use while increasing output. Politicians of all stripes back the project to transform the blast furnaces to capture carbon, but its fate is out of their hands as it depends on funding from the European Commission, which is taking its time deciding whether to back the project.

"We all love our steel industry and we don't want to see it stop," said Jean-Claude Roeder, who works at the blast furnaces. "If tomorrow we don't have the project then we'll feel that France is abandoning us, that France's doesn't want a steel industry any more."

Florange's workers know all too well about broken promises. ArcelorMittal, the world's

largest steel maker, wound down another mill at Gandrange despite Mr Sarkozy's pledge to find a way to keep it going.

Days after wedding former supermodel Carla Bruni in 2008, the president promised on a visit to the ill-fated factory to change then-CEO Lakshmi Mittal's mind about shutting it down.

"What's at stake is keeping factories on our national territory," Mr Sarkozy told a crowd of workers at the time from the shop floor. "We cannot let our factories close."

The words echo painfully in the empty hangars at Gandrange as the plant is now closed except for a rolling mill and a research and development centre.

That has made it a compulsory stop on the campaign trail of his political rivals.

"No politician can afford not to come here, except for the one who already came here," said Thierry Tavoso, a union representative, referring to the president's visits.

France has lost 763 000 industrial jobs in the past 10 years with 355 000 shed since Mr Sarkozy took office in 2007 — figures Mr Hollande rarely omits from his speeches about industrial policy.

The services sector has more than made up for job losses in industry that were due partly to productivity gains, but the country's loss of competitiveness cannot be ignored.

While industry generated about 23% of French jobs 30 years ago, now it is only 12%, according to data compiled by Thomson Reuters Datastream. France's share of euro-zone exports has fallen from nearly 16% to 13% in a decade and its share of global exports has fallen to a mere 3%.

The trade deficit hit a record at nearly €70bn last year. Unit labour costs rose nearly 17% over the past 10 years while in Germany they are only marginally higher over the period, according to OECD data.

Eager to corner the debate, Mr Sarkozy is making a late legislative push to cut social welfare charges on companies, shifting the cost to an increased VAT sales tax.

The measure, dubbed "Social VAT", aims to level the playing field with foreign companies exporting to France by making them bear a bigger share of financing the welfare system.

"You can't play football with a sack full of rocks on your back. That's the problem with social charges and labour costs," said Pierre Gattaz, CEO of electronic connectors maker Radiall.

France spends about 2.1% of gross domestic product on research and development, less than Germany's 2.8% and the US's 2.7%, but more than Britain's 1.9%. *Reuters*