

## CHAPTER 8

Trade Politics in the United States  
and France

THE FRENCH CASES provide two critical contributions to this study of trade politics. First, they give the argument greater cross-national validity by helping establish that rising international economic interdependence affected industries in states other than the United States. If, as is claimed, an international-level change reshapes the domestic preferences of firms, then this change in preferences should have occurred in all advanced industrial countries experiencing new levels of foreign linkages. One test of this is to examine and compare the preferences of firms in more than one nation, in this case in the United States and France. According to the argument here, rising international interdependence in the form of exports, multinationality, and global intrafirm trade should affect firms' preferences similarly in the two countries, regardless of other differences between them. Such a finding would be unexpected by other theories, given their characterization of France and the United States as opposites in terms of their domestic political structures.<sup>1</sup> Comparing industries in these two nations should thus provide a good test of our hypothesis.

This chapter begins by examining how the growth of economic interdependence affected the French economy in general and its firms' preferences in particular. Have French firms' international positions shaped their trade preferences? What role have other factors played? In particular, has the "strong" French state been able to impose its preferences on firms? In some arguments about the state, it is viewed as "an autonomous entity capable of shaping societal preferences in accord with its own."<sup>2</sup> Has this been true for French firms' preferences?

This chapter also examines differences in the way the French and American economies experienced rising interdependence. Chapter 6 discussed the similarities between the two experiences. Indeed, this work's argument rests on such similarities, for it hypothesizes that similarly positioned firms in the two countries should have similar trade

preferences. Although, as seen in chapter 6, strong similarities in the ways firms determined their preferences did exist across the countries, it is useful to focus on the differences as well.

The second contribution of the French cases is that they demonstrate how firms' preferences affect trade policy outcomes. France is a critical case. Much of the literature on economic policy making implies that France and the United States should be differentially sensitive to industry demands. The United States is depicted as a "weak" state—one very permeable to interest group pressure. France is portrayed as a "strong" state, with a "state-led" policy system highly resistant to industry pressure.<sup>3</sup> In this view, the preferences of French firms should have little bearing on policy because the process is so insulated from societal influence. After exploring how the policy structure in France allows firms' preferences into the process, the discussion here concludes that France is a less "strong" state than many characterizations suggest.

We will focus on four characteristics of the policy-making process to see how firms' preferences are involved in and come to exert a major influence on it. This underscores the importance of understanding what these preferences are and how they are formed. The argument, however, is not that firms' preferences alone account for trade policy outcomes or that the policy processes in the United States and France are exactly alike. Rather, firms' preferences are seen as one of the most important influences on trade policy in both countries. Examination of both firms' trade preferences and the policy making process is essential to providing an answer to the question of why the advanced industrial countries maintained relatively open economies in the 1970s despite the strong pressures for closure they faced.

## RISING INTERDEPENDENCE

Growing economic interdependence has reduced some firms' preferences for protection, even in times of economic distress. Growing interdependence in France has taken a different course than in the United States (see table 8.1). Both its timing and its character have been different. For industrial products, France's integration into the international economy rose sharply only after 1958, and its most sig-

<sup>1</sup> Stephen Krasner, "U.S. Commercial and Monetary Policy"; John Zysman, "The French State in the International Economy"; and Peter Katzenstein, "Conclusion," all in *Power and Plenty*, ed. Katzenstein; Zysman, *Governments, Markets, and Growth*, avoids the use of the terms "strong" and "weak" but suggests much the same; see esp. chs. 3, 5, 6.

<sup>1</sup> Katzenstein, ed., *Power and Plenty*; Zysman, *Governments, Markets, and Growth*.

<sup>2</sup> Nordlinger, *On the Autonomy of the Democratic State*, p. 100.

TABLE 8.1 Average U.S. and French International Economic Ties, 1970s

Industrial Export Dependence	
U.S. (1970s)	20% (1975)
France (1970s)	31% (1979)
Multinationality of Industry	
U.S. (1970s)	20% (1977)
France (1970s)	10% (1974)

SOURCES: For average industrial export dependence: data for the United States from 1985 *Economic Report of the President* (Washington, D.C.: GPO, 1986), tables B-10, B-101, for the value of industrial exports as a percentage of total industrial GNP. The French figure is from Ministère de l'Économie et des Finances, *La DREE, Une Décennie du Commerce Extérieur Français* (Paris: Documentation Française, November 1983), p. xiv. For average multinationality of industry: Data on United States from U.S. Dept. of Commerce, *1977 Enterprise Statistics* (Washington, D.C.: GPO, 1981), pp. 374-75, for value of all foreign assets of U.S. manufacturing as a percentage of total manufacturing assets. French value is for foreign French production as a percentage of total French production; see Julien Savary, *Les Multinationales Françaises* (Paris: Press Universitaires Françaises, 1981), p. 21.

nificant integration occurred after 1968. This was sparked by the 1958 opening of the European Common Market.<sup>4</sup>

In 1958, with the implementation of the Treaty of Rome, France's industrial trade accelerated and shifted geographically. From approximately 12 percent of domestic production in 1958, exports of industrial goods rose to around 20 percent in 1968 and to 33 percent by 1981.<sup>5</sup> Import penetration followed a similar pattern, growing from 15 percent in 1958 to over 20 percent in 1968 and finally to almost 30 percent in 1981.<sup>6</sup> The openness of the economy to trade grew rapidly after 1958, much more so than it had in the previous century.<sup>7</sup> Trade relations themselves changed. In 1958, less than 30 percent of French

<sup>4</sup> Prior to this market's opening, France had substantial trade relations, but these were heavily concentrated in nonindustrial goods and with former French colonies. Jean-Paul Balladur, "Les Echanges Extérieurs de la France entre 1960-70," *Economie et Société*, no. 31 (February 1972):11-13; Stoffaës, *Grande Menace Industrielle*, p. 203.

<sup>5</sup> CEREM, *Crise, Concurrence Internationale, et Stratégies*, table 3; Ministère de l'Économie, *La DREE, Une Décennie du Commerce Extérieur Français* (Paris: Documentation Française, November 1983), p. xiv.

<sup>6</sup> *Ibid.*

<sup>7</sup> Table 1 in Alain Lipietz, "The Globalization of the General Crisis of Fordism," *SMU Occasional Paper* no. 84-203, 1984, shows French export dependence peaked in 1899, declined until after World War II, and then began increasing.

trade was with its European partners. By the late 1970s close to 50 percent was with European Community countries.<sup>8</sup> This shift meant greater dependence on unmanaged trade and increased France's integration into the world economy. Unlike France's trade with its colonies, where relations of influence and strong barriers to other countries' products guaranteed the markets for French companies, trade within the EC was less managed and more subject to forces of market exchange. France's trade dependence thus has recently grown to sizable proportions, although it has long been greater than that of the United States.

The development of multinational enterprise among French firms has been more recent than among U.S. firms. In fact, by the interwar period the U.S. economy was already almost as multinational as French industry is today.<sup>9</sup> The development of French multinational ties began in the 1960s, with the greatest growth after 1974.<sup>10</sup> By 1974 foreign French production accounted for only 10 percent of total industrial production.<sup>11</sup> The creation of globally integrated firms has also been slower in France. Trade flows within French multinationals have been less well developed than among their U.S. counterparts. Despite domestic markets of similar size, re-export to the home market by all European multinationals amounted to \$260 million in 1978 compared to \$4.1 billion for U.S. firms.<sup>12</sup> Growth of both French trade dependence and multinationality thus occurred in the postwar period. French levels of interdependence were, however, much greater in trade, particularly trade within the EC, than in multinational activities, while the opposite held for the United States.

Did this mounting integration within Europe and into the international economy reduce French firms' preferences for protection, as the argument posits? Did French firms with international ties resist the urge to seek protection when the economy fell into serious difficulties in the 1970s? The French cases show that firms with extensive international ties did resist protectionist temptations in the 1970s and early 1980s. The tire, glass, and pharmaceutical industries were the most

<sup>8</sup> Ardagh, *France in the 1980s*, p. 37.

<sup>9</sup> Wilkins, *Maturing of the Multinational Corporation*, p. 201, estimates all U.S. direct foreign investment at 14 percent of GNP in 1929, while Savary, *Multinationales Françaises*, estimates French foreign industrial direct production in 1974 at 10 percent of total French production. These figures are not directly comparable, however.

<sup>10</sup> Savary, *Multinationales Françaises*, pp. 19-23, 26-29, 110-12; Ardagh, *France in the 1980s*, pp. 45-47; Savary, "Les Multinationales Françaises," p. 75.

<sup>11</sup> Savary, *Multinationales Françaises*, pp. 19-26.

<sup>12</sup> Grunwald and Flamm, *Global Factory*, pp. 25-27.

international of those studied. The major firms within each of these industries maintained their preferences for market openness in the face of economic distress. In the tire and glass industries, where trade barriers were low, the major firms sought to keep their home markets open and to prevent closure of foreign markets. The pharmaceutical producers, who were already protected, sought to have these nontariff barriers reduced. For these industries, sizable exports and multinational operations made protection undesirable as a solution to their difficulties.

Lack of protectionist demands may not, however, be a sure sign of preferences for freer trade among French firms. Many have claimed that the French protect their market through other means, such as industrial policy and nontariff barriers.<sup>13</sup> Although many countries use these practices, it has been maintained that the French use them more systematically than others, especially than the Americans. Hence examining just French firms' demands for traditional protectionist policies may miss the firms' true protectionist bent.

To avoid this problem, I surveyed all steps taken by French firms to obtain government aid, especially industrial policies. Though it could not always be ascertained whether these demands were protectionist in intent, it was assumed that most had protection in mind because the industries' key problem involved imports. Even with this restrictive assumption, the argument held. The firms with the strongest international ties made the fewest demands for government aid. The glass, tire, and pharmaceutical industries, all highly international, showed little interest in government help. They were less likely to deal with the government and more likely to rely on their own internal efforts to adjust. Only the pharmaceutical industry dealt extensively with the government, largely because of the public regulation of the industry already in place. These producers, however, were most interested in reducing, not enhancing, government intervention. Above all, they were concerned with adjusting to the new competitive conditions through their own strategies.

In the other cases, where the industries lacked international ties, efforts to restructure usually included demands for government aid. Indeed, these industries sought aid as an incentive to induce them to reorganize. In the footwear, television, and watch and clock cases, de-

<sup>13</sup> Curzon Price, *Industrial Policies in the EC*, p. 21; Zysman, "French State in the International Economy." More generally, the argument is that France and the United States have responded to rising interdependence differently, with the French developing a wide array of policy instruments, including industrial policy, to manage their interdependence.

mands for aid went hand in hand with demands for protection. In the radio and television case, protection and government support had evolved together, creating the industry in the 1950s. Protection probably predated the development of an industrial policy for this sector. In the footwear case, demands for aid were simultaneous with rising interest in protection. In the watch and clock case, industrial policy demands predated interest in protection. In all three cases, demands for protection grew alongside demands for government aid. Other aggregate studies support this. They report that the most protected sectors tended to receive the most extensive government aid.<sup>14</sup> Industrial policy therefore may not be a substitute for protection; rather, the two may complement each other, with protection being essential for a successful industrial policy.

In terms of the rationale firms developed to support their preferences, the French cases also showed remarkable continuity with the American ones. Protection was often opposed because of its cost to the firm's international operations, as discussed in chapter 6. Several differences in rationale are evident, however. First, for French firms the key market was often the European one more than the world one. Interest in eliminating trade barriers and resisting protection within the European market was very apparent. The relevant market for the large footwear producers, the pharmaceutical manufacturers, and later the television maker, Thomson, was clearly Europe's, not merely France's and not the world's.<sup>15</sup> France's international integration was more limited than that of the United States. French trade and foreign production occurred mainly within the EC, and thus the strongest resistance to protection was found in this market. This more limited integration accounts in part for the trend of decreasing French protection combined with increasing European protection, noted in the cases and elsewhere.<sup>16</sup>

<sup>14</sup> Giordano, "Analyse de la Politique Française du Commerce Extérieur," 1982; Yvonne Giordano, "Analyse de la Politique Française du Commerce Extérieur depuis le Vlem Plan," *Revue d'Economie Industrielle*, no. 29 (3rd trim., 1984), esp. p. 59; Bernard Bobe, "La Politique Commerciale Française," in *Internationalisation et Autonomie de Décision*, ed. Henri Bourguinat (Paris: Economica, 1982), pp. 461-78.

<sup>15</sup> For the glass and tire producers, though, the European market was important but so were a number of other markets. These firms were interested in the state of the global market in large part because they exported and produced to an important extent outside of Europe.

<sup>16</sup> Wolfgang Hager, "Protectionism and Autonomy," *International Affairs* 58 (Summer 1982):413-28; Wolfgang Hager, "Little Europe, Wider Europe, and Western Economic Cooperation," *Journal of Common Market Studies* 21 (September-December 1982):171-97;

A second difference was that resistance to protection was often defended on the grounds that protection would hinder the industry's competitiveness. More than the Americans, the French worried about market size and scale economies. For many French industries, the French market alone was too small to generate the large production runs necessary to achieve lower costs and international competitiveness. For the French, export markets and/or a market base beyond France were crucial if an industry wanted to compete globally. The choice for many firms in France was, on the one hand, to become international competitors or, on the other, to lose competitiveness and seek protection. This choice was less severe for U.S. firms, since the size of the American market allowed them to reach scale economies without exporting. (This is becoming less true today, as optimal scale has risen.) French industries' need for a large, unhindered European market was widely appreciated. Concern for industrial competitiveness remained a central factor in guiding French firms to resist protection within Europe.

A third difference between the interdependence of the French and U.S. industries is evident in table 8.1. French ties to the international economy have focused mainly on exports, and much less and only more recently on multinationality. In contrast, U.S. industry is heavily multinational, with a more limited trade dependence. If, as the cases suggest, export dependence is a less durable bulwark against protection than well developed multinationality, French resistance to protection may be less stable than that of the United States. Declines in French exports, especially when combined with rapidly rising imports, may undermine firms' resistance to protection quickly. But the much greater level of and need for trade within Europe may enhance the importance of export dependence for the French. The country's keen interest in exports, in contrast to their general neglect in the United States, is one indication that exports play a more powerful role in French firms' preferences.

In addition to international ties, have other factors played a large role in determining French firms' preferences? Unlike U.S. trade policy, few studies of the factors influencing French trade policy exist.<sup>17</sup> Aggregate studies assessing the impact of factors such as firms' pref-

ERA, *EEC Protectionism*; Miles Kahler, "European Protectionism in Theory and Practice," *World Politics* 37 (July 1985):475-502.

<sup>17</sup> The best studies are those by Bernard Bobe and Patrick Messerlin in *Internationalisation et Autonomie*, ed. Bourguinat; Giordano, "Analyse de la Politique Française du Commerce Extérieur," 1984; Pisani, *Enjeux et Conditions des Equilibres*; François David, *Le Commerce International à la Derive* (Paris: Calmann-Lévy, 1982).

erences, industry "influence," policy-maker goals, and past policies on trade policy outcomes are not available. But the case studies here support the argument that export dependence and multinationality strongly influence firms' trade preferences. They also cast doubt on the claim that the French state exercises a central role in defining firms' preferences. Citing Andrew Shonfield, Stephen Cohen, and John Zysman, Eric Nordlinger maintains that the French state possesses this kind of autonomy. He observes "the success of the [French] higher bureaucracy in shaping societal preferences and then translating its own into public policy" and notes that "the [French] state [could] shape the preferences of even remarkably well-endowed private actors, in this instance the 'big business' community" through its many policy levers.<sup>18</sup> This argument is not supported by evidence here. The French state was certainly more interventionist than the American, but in none of our cases did a firm's preferences appear directly shaped by the state. More frequently, the state's activities were shaped by firms' preferences. Often the firms, and not the state, initiated policy for the sector. The French footwear, watch and clock, and television industries were central in developing and initiating the sectoral trade and industrial policies undertaken, for example. Moreover, some French industries had little need for state help. The French tire and glass producers, for instance, adjusted without seeking aid or protection.

Although perhaps not directly shaping preferences, the state, it has been claimed, may alter the context of economic activity and thereby condition firms' preferences.<sup>19</sup> For the French economy, the creation of the European Common Market and the building of firms into "national champions" may have had this effect. The Common Market helped create export and multinational interests, which have since become major supporters of that international market. But important support for the Common Market was evident among large, internationally oriented French firms before its inception.<sup>20</sup> Institutions and societal interests appear interdependent here. Societal interests in fa-

<sup>18</sup> Nordlinger, *Autonomy of the Democratic State*, pp. 104-105.

<sup>19</sup> Ardagh, *France in the 1980s*, pp. 30-40; Zysman, *Governments, Markets, and Growth*, ch. 3; in another context, see Gilpin, *U.S. Power*, who maintains that the rise of multinational enterprise occurred in large part because of U.S. hegemony and the conducive environment that it provided for U.S. enterprise.

<sup>20</sup> See Jean-François Hennart, "The Political Economy of Comparative Growth Rates: The Case of France," in *The Political Economy of Growth*, ed. Dennis Mueller (New Haven: Yale University Press, 1983), pp. 197-201; Wolfram Hanreider and Graeme Auton, *The Foreign Policies of West Germany, France, and Britain* (Englewood Cliffs, N.J.: Prentice-Hall, 1980), p. 123.

vor of the institution's goals were important for its creation. Over time, however, the institution promoted these interests, thereby establishing further support for itself. This interconnection suggests that the institutional context in which firms operate may over time influence firms' calculations of their preferences, but that firms' preferences may also affect the institutions.

The French state's creation of large, favored firms—national champions—may have also altered the economic context and thus firms' preferences. But the creation of national champions has provided equivocal support for freer trade. Despite their large size, many national champions have remained domestically oriented, often due to governmental pressure. These firms have been unwilling to see their domestic monopolies broken by foreign competition. In contrast, others have developed foreign operations, often despite the government's displeasure, and have become antiprotectionist forces. These policies to reshape the economy do not appear to have had a consistent effect on firms' trade preferences. The main point is that although firms may take numerous factors into account in developing their preferences, a critical role is played by the extent of their linkages to the international economy.

#### INTRA-INDUSTRY TRADE POLITICS IN FRANCE

Rising interdependence has not only altered firms' preferences but also has affected the politics of industries. Interdependence has spread through industries unevenly, leaving some firms tied to the international economy and others dependent on the domestic market. This has rendered industries extremely divided in their preferences toward trade and has made developing a unified industry position on trade issues difficult. As chapter 7 argued, these intra-industry disputes have weakened protectionist pressures.

In France, trade politics have been affected by these divisions, but somewhat differently than in the United States. The internationalization of French firms was accompanied by a policy of fostering concentration within industries, which reduced the number of firms in each industry. When combined with the policy of national champions, this growing concentration left many industries controlled by a single French firm, which diminished the opportunity for intra-industry divisions to arise.

The effects of these policies are evident in the French cases. Divisions within these industries were less visible than among the 1970s U.S. cases. Only two of the six cases showed signs of strong intra-in-

dustry divisions, and these were industries with low concentration and no national champion. For instance, the footwear industry was split between the antiprotectionist preferences of its four large, internationally oriented firms and the protectionist sentiments of its smaller producers. Throughout the 1970s the large firms resisted pressures for market closure from the rest of the industry. In the manufacture of watches and clocks, the entry of Matra, a large multinational, split the industry in two. Matra initially resisted the smaller firms' protectionist attempts but then acquiesced to the imposition of selective quotas. Internal divisions thus helped alleviate pressures for protection in these industries.

In the tire, glass, and television cases, a dominant French firm controlled the industry. The primary source of competition for these firms was foreign multinationals. Industry divisions, if any existed, centered around the national champion and its foreign competitors. In general, these divisions were less apparent. Foreign firms participated in industry deliberations; however, their views were always suspect, and their opposition rarely public.<sup>21</sup> In three of the four cases—tires, glass, and pharmaceuticals—no divisions were evident, largely because the dominant French firms were more interested in open markets than in protection. In the radio and television case, where some divisions appeared, Thomson was pushing for protection. Its attempts to obtain protection from the EC were opposed by Philips and to some extent by its French subsidiary, Radiotechnique. Within France, these intra-industry divisions were barely evident. But at the European level they initially exercised an important brake on Thomson's demands. Divisions between domestic and foreign firms may thus be most likely to mitigate protectionist pressures when interests are brought together in an international arena, such as the EC.

As in the United States, intra-industry divisions among French firms weakened protectionist pressures. But by fostering concentration and national champions, the French state reduced possibilities for internal divisions. The relationship between firms and the state in France and the United States differed. For the U.S. government, one source of flexibility was divisions among the firms within an industry. Conflicting trade preferences within an industry either prevented formulation of any industry-wide position or compromised the position presented and allowed policy makers more room to maneuver. In contrast, the French state was often forced to deal with the national champion it had created. Resisting the appeals of such a firm was difficult because

<sup>21</sup> Interviews.

of the state's interests in the firm's survival and prosperity. The state's "special relationship" to these large firms reduced their conflicts of interest and made opposing these firms more difficult. Ironically, the state's creation of dominant national champions may have thus reduced its autonomy from industry.<sup>22</sup>

#### TRADE POLICY MAKING AND INDUSTRY INFLUENCE

Do firms' preferences affect trade policy outcomes? This section discusses how the structure of policy making allows business interests to play an important role in shaping policy outcomes. In particular, it examines how these interests are integrated into the policy process, suggesting the nature of U.S. and French "policy networks" linking state and society.<sup>23</sup>

Much of the literature on French economic policy making implies that answers to this question should differ greatly for the two countries. In these accounts, the French state is viewed as the primary determinant of policy; societal interests are seen as secondary at best. French policy is "state-led."<sup>24</sup> The French state is depicted as highly centralized, unified, and powerful relative to its decentralized, divided societal actors; it is a very "strong" state, "one which can exert industrial leadership."<sup>25</sup> The preferences of industries in this political structure are seen as much less important than they are in the United States. One scholar observes: "The [French] state is an autonomous and powerful player in the game, often able to force its will against the immediate wants and wishes of particular industries and businessmen. This does not imply that the government acts against business interests, simply that it can achieve collective outcomes not otherwise possible."<sup>26</sup>

In contrast, the U.S. state is viewed as a "weak" one—decentralized, divided against itself, and easily permeated by societal interests. Stephen Krasner describes it:

Of the countries examined . . . the United States is probably closest to the pole of [state] weakness. American policy makers have had a

<sup>22</sup> On the ironies of strong states, see G. John Ikenberry, "The Irony of State Strength: Comparative Responses to the Oil Shocks of the 1970s," *International Organization* 40 (Winter 1986):105-138.

<sup>23</sup> The term "policy networks" comes from Katzenstein, ed., *Power and Plenty*, p. 308.

<sup>24</sup> Zysman, "French State in the International Economy"; Katzenstein, "Conclusion," in *Power and Plenty*, ed. Katzenstein; Zysman, *Governments, Markets, and Growth*, chs. 1, 3, 6.

<sup>25</sup> Zysman, "French State in the International Economy," p. 265.

<sup>26</sup> *Ibid.*

clear objective. . . . Indeed, if the state cannot formulate a set of coherent goals, it is difficult to defend the concept of the state at all. But implementation in the face of domestic political opposition has been another matter. It has been very difficult for American central decision makers to change the behavior of non-state domestic actors. Political leaders have relatively little command of material resources, such as the control of credit, that can be used to offer incentives or make threats. . . . Furthermore, the U.S. political system offers its leaders few opportunities directly to change the structure of the economy. . . . When [state] intervention has occurred, as in the case of regulatory agencies or particular tax laws, the initiative has come from the private sector more often than from the state.<sup>27</sup>

The closed, unified policy process in France thus is contrasted with the open, fragmented U.S. process.

This contrast appears to be overdrawn. Evidence in this study and others reveals that industries are deeply involved in the trade process in both countries. The structure of policy making allows significant industry influence in both, although the character of this involvement differs in the two countries. Thus, knowledge of the policy making structure, as well as the preferences of industries, is critical in both for understanding policy outcomes.

Four characteristics of the policy process are often used to distinguish policy making in the United States and France: (1) the degree of unity in the policy process (often the number of state actors involved); (2) the extent of insulation of the policy-making bureaucracy; (3) the number of policy instruments available; and (4) the coherence of policy makers' goals.<sup>28</sup> The less that each of these characterizes the policy process, the "weaker" the state is seen to be, and the greater the likelihood that societal influences can significantly affect the process. The French state is seen as "strong" on each account. Its purported differences from the United States are crucial here because, if true, they imply that industry preferences in France, even if formed independently of the state, should have minimal effects on policy outcomes.

#### (1) *Unity of the State Policy-Making Structure*

Studies of French policy making portray it as occurring in a highly centralized and unified state, with decision making controlled by the executive and, within that branch, by the Ministry of Finance and the

<sup>27</sup> Krasner, "U.S. Commercial and Monetary Policy," p. 61.

<sup>28</sup> Zysman, *Governments, Markets, and Growth*, pp. 300-301, has three different criteria, which overlap with those here.

Prime Minister.<sup>29</sup> Trade policy making in France, however, appears much less unified than these accounts suggest. First of all, France de jure has no independent trade policy. As many French policy makers have explained, trade policy is made by the EC, not nationally.<sup>30</sup> Though overstated, this point is important because most of the traditional trade policy making apparatus is located in Brussels, not Paris. The negotiation and setting of tariff rates and the use of GATT-sanctioned trade measures—such as antidumping, countervailing duty, and escape clause measures—rest in the hands of the Community. Analogues to the U.S. International Trade Commission and the Special Trade Representative are found in the European Community Commission.<sup>31</sup>

Within France, however, mechanisms exist to shape French positions on trade. The Direction for External Economic Relations (DREE), attached before 1975 to the Ministry of Finance and afterward to the Ministry of Foreign Trade, is the central locus for defining French positions within the EC.<sup>32</sup> The DREE also is responsible for French export policies and the control of imports under its old system of import restrictions. Other ministries also shape policy. The Ministry of Industry develops much sectoral policy and handles trade complaints and export aid. Industries often bring their complaints and demands first to their division of the Ministry of Industry, as both the footwear and the television producers did.<sup>33</sup> The Ministry of Agriculture deals with

<sup>29</sup> Zysman, "French State in the International Economy"; Katzenstein, "Conclusion," in *Power and Plenty*, ed. Katzenstein; Zysman, *Governments, Markets, and Growth*, chs. 1, 3, 6. For this view of trade policy making, see S. D. Cohen, *Making of U.S. International Economic Policy*, pp. 131–36. This notion of unity is similar to Michael Barzelay's idea of segmentation. He presents an argument explaining why segmentation reduces a state's control over its policy-making apparatus. See Michael Barzelay, *The Politicized Market Economy* (Berkeley: University of California Press, 1986).

<sup>30</sup> Milner, "Resisting the Protectionist Temptation." See also James Adams and Christian Stoffer, eds., *French Industrial Policy* (Washington, D.C.: Brookings Institution, 1986), esp. pp. 17–20, who also note the growing fragmentation of industrial policy making in France and the increasing role of the EC in it.

<sup>31</sup> J.-M. Boitín and H. Valluet, *Les Importations* (Paris: Qui Est-ce Que, 1982), esp. pp. 58–121; United Nations, *Le Contrôle des Pratiques Commerciales Restrictives dans la CEE* (New York: United Nations, 1977), esp. p. 1; Alain Garcia, "Les Instruments de la Politique Française du Commerce Extérieur," *Notes et Etudes Documentaires*, nos. 4302–4405, September 2, 1977, pp. 14–19.

<sup>32</sup> Garcia, "Instruments," pp. 14–16; Xavier Beauchamp, *Un Etat dans l'Etat* (Paris: Bordas, 1976), pp. 117–22; Dominique Joly, "La Régime Française du Contrôle du Commerce Extérieur" (Ph.D. dissertation, Dijon, 1975).

<sup>33</sup> Zysman, "French State in the International Economy," p. 265, also notes this in passing.

all agricultural trade policy, while other ministries develop policies for their "clients"—for example, the Ministry of Health oversees policy affecting the pharmaceutical industry. The Ministry of Foreign Affairs watches over trade policy developments generally to ensure that they do not disturb relations with foreign governments.

Although not as directly involved with trade legislation as the U.S. Congress is, the French parliament plays a significant role in communicating its members' regional interests to the executive branch. This role was particularly evident in cases where the industry was concentrated regionally. For the footwear, watch and clock, and tire industries, firms' problems and complaints sparked regional representatives' activities, which included not only launching local initiatives but also pressing the national authorities to help the industries. All these strands of trade activity are supposedly coordinated through an inter-ministerial committee chaired by the Prime Minister. In reality the role of this committee seems limited, and policy making often lacks centralized direction.

The fragmented French trade policy process provides many avenues for industries to voice their preferences. An industry can petition the EC or lodge its complaint with various national authorities. If the EC resists its pressure, the industry can find allies at home to increase pressure on the EC's Commission, as happened in the television case. If the Ministry of Finance or the DREE resists its appeals, it can turn to its relevant ministry or regional representatives for help, as occurred in the footwear and pharmaceutical industries. Multiple channels of access exist for industries to express their demands. These alternatives give industries the ability to play one group off against another, as they often do in the United States. For instance, in the late 1970s, the pharmaceutical industry finally succeeded in having the state lift price controls, which served to limit imports, from many of its goods by allying with the ministries of Industry and of Health in its battle against the Ministry of Finance. Regional authorities and allies in one ministry, who can countervail another's authority, enable industries to be heard. Overall, trade policy making in France exhibits a fairly fragmented character, as it does in the United States.

Scholars have frequently characterized U.S. trade policy making as highly fragmented, involving many different state actors.<sup>34</sup> Constitutionally, the U.S. Congress is in charge of trade policy instruments,

<sup>34</sup> Evidence of the fragmentation of U.S. trade policy making is contained in Brasnet, "U.S. Commercial and Monetary Policy"; Destler, *Making Foreign Economic Policy*; Cohen, *Making of U.S. International Economic Policy*; Robert Pastor, *Politics of U.S. Foreign Economic Policy*.

such as the tariff, but since 1934 Congress has delegated much authority in this area to the executive branch. Relations between Congress and the executive over trade issues, nevertheless, tend to be conflictual, with Congress periodically remanding control. In addition, a number of independent agencies and executive departments—such as the ITC, STR, and the departments of Commerce, Treasury, State, and Defense—share in policy making. The bureaucratic politics model applies quintessentially to the trade policy area. The large number of actors and their often conflicting jurisdictions provide social actors with multiple channels of access to and possibilities for influence over the trade policy process, as in France.

### (2) *Insulation of the Bureaucracy*

France's bureaucracy has been portrayed as highly insulated from societal influence, given the bureaucrats' similar backgrounds and strong esprit du corps.<sup>35</sup> Although French bureaucrats may constitute a cohesive social group because they have similar social backgrounds and educational training, this does not necessarily set them apart from other sectors of society. In fact, as Ezra Suleiman has shown, many bureaucrats and business leaders share similar backgrounds, and bureaucrats often move to business positions.<sup>36</sup> This has created a community among bureaucrats and business leaders. The two tend to have easy access to one another, often through close personal relations. Working groups created to develop policies for troubled industries bring business leaders and bureaucrats into extended and frequent contact, as evidence from the television industry makes clear. Indeed, some scholars have pointed out the "quiet conspiracy" between these two groups in the determination of postwar economic policy.<sup>37</sup> The characterization of the French bureaucracy as a socially coherent group may be accurate, but its insulation from other groups seems overstated, given its close relations with business.

Politically, the bureaucracy's independence from societal actors is also limited. The bureaucracy's access to information and development of policy expertise has not been achieved without industry help. In a number of cases, the bureaucracy's understanding of a particular

<sup>35</sup> On their common backgrounds and esprit du corps, see Ezra Suleiman, *Politics, Power, and Bureaucracy in France* (Princeton: Princeton University Press, 1974); Ezra Suleiman, *Elites in French Society* (Princeton: Princeton University Press, 1978).

<sup>36</sup> Suleiman, *Elites in French Society*, chs. 8, 9.

<sup>37</sup> The following authors all discuss the "special relationship" between big business and the state in France. Shonfield, *Modern Capitalism*; Michalet, "France," esp. pp. 124-25; Suleiman, *Politics, Power, and Bureaucracy*, esp. ch. 12.

industry's problems and the gathering of statistics on it depended on information from the industry itself. For instance, in the footwear, watch and clock, and television cases the best information on sales, imports, and exports were provided to the Ministry of Industry by the industry associations. This information was important in deciding what help the industry should be given. In these cases, moreover, the industries themselves proposed their own industrial and trade policies. Some even negotiated their own voluntary export agreements with foreign producers and their governments. The French bureaucracy does not appear independent from industry for its information collection, policy planning, or implementation.

The character of the relations between an industry and the bureaucracy in France may reduce decision makers' autonomy. As others have theorized, bureaucrats may sometimes be more willing than politicians to help industries under their auspices.<sup>38</sup> In particular, when bureaucracies have narrowly defined areas of jurisdiction and compete with one another, keeping one's clients happy is the key to retaining, and perhaps expanding, one's jurisdiction. Such conditions characterize the French system, especially the Ministry of Industry. It is organized into sections dealing with specific industries, and it competes with other ministries for control over these industries. In addition, the ministry's sections have extensive, long-term relations, which involve much bargaining and consensual decision making, with their industries—as the footwear, television, watch and clock, and pharmaceutical cases illustrate. In each case, the industry tended to initiate its own proposals and then negotiate with the bureaucracy to obtain what it wanted. Studies of the textile, steel, nuclear, and oil industries reveal elements of this pattern as well.<sup>39</sup> The French bureaucracy thus seems

<sup>38</sup> Messerlin, "Bureaucracies and the Political Economy of Protection", for a contrasting view, see J. Michael Finger, H. Keith Hall, and Douglas Nelson, "The Political Economy of Administered Protection," *American Economic Review* 72 (June 1982):425-66.

<sup>39</sup> Messerlin, "Bureaucracies and the Political Economy of Protection," pp. 40-43; Harvey Feigenbaum, *The Politics of Public Enterprise: Oil and the French State* (Princeton: Princeton University Press, 1985); Phillipe Simonnot, *Les Nucléotvats* (Grenoble: Presses Universitaires de Grenoble, 1978). For steel, see Peter Hall, Janice McCormick, and Bruce Scott, "France Enters the 1980s," case no. 380-202, Harvard Business School, 1980; Geoffrey Shepard, François Duchêne, and Christopher Saunders, eds., *Europe's Industries: Public and Private Strategies for Change* (Ithaca: Cornell University Press, 1983), esp. pp. 66-69. For textiles, see Lynne Mytelka, "In Search of a Partner," in Stephen S. Cohen and Peter Gourevitch, eds., *France in a Troubled World Economy* (London: Butterworths, 1982); Rianne Mahon and Lynne Mytelka, "Industry, the State, and the New Protectionism," *International Organization* 37 (Autumn 1983):551-82; Shepard et al., eds., *Europe's Industries*, esp. pp. 38-40.

less insulated from industry than is often suggested. Rather, it appears engaged in an extensive negotiating relationship, which often produces mutually acceptable outcomes.

In contrast to the French, the U.S. bureaucracy is often characterized as fragmented and nonprofessional. Staffed by many political appointees and lacking any common recruitment background, this bureaucracy is open to outside pressure and "capturable" by its clients.<sup>49</sup> One comparative study of bureaucrats concludes:

Across the Atlantic in the U.S., policy decisions are reached in a setting of splintered and penetrable institutions. In a country without a strong state tradition, lacking in central authority, possessed of a virile individualistic ideology, and lacking well-developed parties, decision making is highly political and depends on policy entrepreneurs. . . . American bureaucrats are required to play a more overtly political game than any of their European counterparts: in the absence of a clear and organized party will to carry out an organized agenda, . . . bureaucrats in this country often promote their own agendas, encouraged by the fluidity of the policy environment.<sup>51</sup>

The U.S. bureaucracy is very political in its behavior and not insulated from society, since the bureaucrats must act as "advocates, partisans, and tribunes" for different political positions.<sup>52</sup> These aspects of the bureaucracy and the fact that many political appointees come from business make it permeable to industry influence. In different but analogous ways, therefore, industry in both nations has important means of access to the state's bureaucracy, as the cases confirm.

### (3) *The Number of Policy Instruments*

The French state is often seen as possessing a plethora of policy instruments, due in part to its long history of intervention in the economy.<sup>53</sup> Though sizable, its array of trade and industrial policy instruments is not vastly superior to those of the United States, however. In the trade area, many instruments of French policy—those involving tariff levels and unfair trade practices—have been turned over to the EC. Unlike the United States, France cannot impose its own trade law

<sup>49</sup> Krasner, "U.S. Commercial and Monetary Policy"; Katzenstein, "Conclusion," in *Power and Plenty*, ed. Katzenstein; Zysman, *Governments, Markets, and Growth*, pp. 266-81.

<sup>50</sup> Joel Aberbach, Robert Putnam, and Bert Rockman, *Bureaucrats and Politicians in Western Democracies* (Cambridge: Harvard University Press, 1981), p. 251.

<sup>51</sup> *Ibid.*, p. 257.

<sup>52</sup> Zysman, "French State in the International Economy"; Katzenstein, "Conclusion," in *Power and Plenty*, ed. Katzenstein; Zysman, *Governments, Markets, and Growth*, chs. 1, 3, 6.

measures. The well-developed U.S. arsenal of legal procedures to redress trade problems is not easily available to the French. Instead, they must petition the EC, a supranational body in which French interests are only one among those of many other countries.<sup>54</sup> Nor do the French have the capacity to legislate trade assistance for particular industries, as the U.S. Congress does. Although these laws would contradict GATT provisions, they are nonetheless possible in the United States and unheard of in France.

On the other hand, the French possess an administrative capability for controlling imports. French trade laws developed in the 1930s made import controls the rule and free trade the exception. Parts of these laws still exist, allowing bureaucrats to monitor and impose quotas on imports, but much of their substance has been eliminated by France's decision to participate in the GATT and the EC.<sup>55</sup> Use of these quotas has been foresworn and control of imports has devolved to the EC. Nonetheless, quotas and negotiated import controls have developed in both France and the United States. The proliferation of voluntary export restraints and other nontariff barriers has affected the two countries similarly.<sup>56</sup> The use of import controls, then, is not restricted to France. Overall, in terms of traditional trade measures, the French may actually be less well endowed than the Americans because of the EC's important role in French trade policy.

The French, it has been pointed out, have numerous nontraditional means of affecting trade. In addition to the use of standards, norms, and government procurement, all of which are available in the United States, the French have recourse to industrial policy and export subsidies. Many observers see industrial policy as a substitute for trade policy.<sup>57</sup> The primary elements of French industrial policy have in-

<sup>54</sup> Boittin and Valluet, *Les Importations*, esp. pp. 94-95; David, *Le Commerce International*, pp. 189, 192-95; Stoffaës, *Grande Menace Industrielle*, p. 426; Milner, "Resisting the Protectionist Temptation."

<sup>55</sup> Boittin and Valluet, *Les Importations*, esp. pp. 70-75; but these authors point out that only 3 percent of all French imports, excluding energy products, are still under quotas.

<sup>56</sup> By the mid-1980s about a third of all categories of manufactured imports were subject to some form of nontariff barrier in both countries. This does not mean that imports in all of these categories were severely restricted, however. Many nontariff barriers are very ineffective compared to tariffs or quotas. William Cline, "Exports of Manufactures from Developing Countries," Brookings Institution, February 1982, typescript, table 2-3; Hine, *Political Economy of European Trade*, p. 224.

<sup>57</sup> Curzon Price, *Industrial Policies in the EC*, p. 21; Stoffaës, *Grande Menace Industrielle*; Giordano, "Analyse de la Politique Française du Commerce Extérieur," 1984. But Adams and Stoffaës, eds., *French Industrial Policy*, p. 18, also point out France's declining control over its industrial policy tools since the EC has begun regulating the national use of instruments such as industrial subsidies.

volved two measures. The first has been to promote the restructuring of industries, usually meaning promoting concentration around the leading firm(s) in the industry. The second has been to give aid for R&D, exports, or simply as a production subsidy. For the cases examined, the two have been intertwined: industries demanded aid and the government offered it in return for the industries' agreement to restructure. Both policies seek to render the industries more competitive, but only aid has direct protectionist implications.

The amount of aid that industries receive is difficult to estimate, because it comes in numerous forms. For instance, interest-rate subsidies, whose effects are very difficult to calculate, are a frequently used device. Some estimates of this aid, however, do exist. One observer places total state aid to industry at 8 billion francs in 1972 and over 20 billion francs in 1979.<sup>48</sup> This accounted for roughly 3 percent of French industrial production in 1979. But of 15 billion francs in total aid in 1976, 3.5 billion or only a fifth, went to promote exports.<sup>49</sup> These export credits equaled 2 percent of France's total exports. In addition to these outright credits, export insurance was provided by the state's *Compagnie Française d'Assurances du Commerce Extérieur* (COFACE) to approximately one-third of all French exports.<sup>50</sup> Of this state aid, however, over 60 percent was channeled to five industrial sectors—steel, shipbuilding, computers, electronics, and aeronautics.<sup>51</sup> Export aid in France was thus limited both in its percentage of total aid and in its distribution among industries.

Comparison of this with U.S. activity in the same area reveals similar levels of expenditures in both countries. In 1975 *direct* state aid to exports totaled \$27.3 million in France and \$23.7 million in the United States.<sup>52</sup> Though the U.S. figure is obviously a much lower percentage

<sup>48</sup> Christian Stoffaës, "La Politique Industrielle," *Cours aux Sciences Politiques*, vol. 1, 1980, pp. 37-44.

<sup>49</sup> Pisani, *Enjeux et Conditions des Équilibres Extérieurs de la France*, pp. 170-75. This is for all state aid, both direct and indirect. See also Adams and Stoffaës, eds., *French Industrial Policy*, p. 28.

<sup>50</sup> *La Vie Française*, April 22-28, 1985.

<sup>51</sup> Giordano, "Analyse de la Politique Française du Commerce Extérieur," 1982, p. 211; Giordano, "Analyse de la Politique Française du Commerce Extérieur," 1984; Adams and Stoffaës, eds., *French Industrial Policy*, pp. 32-35.

<sup>52</sup> This figure is for just direct state aid to industry; see *Les Echos*, February 24, 1977. Figures on export subsidies as a percentage of total manufactured exports averaged 40-45 percent for France and around 10 percent for the United States in the late 1970s; see Cline, ed., *Trade Policy in the 1980s*, p. 32, and European Management Forum (EMF), *Report on International Industrial Competitiveness, 1984* (Geneva: EMF Foundation, 1984), p. 7, table 1.3. Data on all subsidies as a percentage of GNP place it at about 2 to 2.5 percent for France in the 1970s and about 0.5 percent for the United States; see Shailendra An-

of its total exports, the absolute figures show that export subsidies are an instrument available to either government. In addition, government funding of R&D is very important in the United States as well as in France. Public funding of industrial R&D as a percentage of total funding (public and private) in 1979 was about 29 percent for France and 32 percent for the United States.<sup>53</sup> These comparable figures imply that the United States also has an active industrial policy, one carried out mainly in conjunction with its defense policy.

The French state's control over credit has been cited as one primary example of its ample means of control over societal actors.<sup>54</sup> But the cases suggest that this instrument was rarely used as a "stick" toward industry. Rather, financial aid was the "carrot" offered for industry restructuring. The granting of aid seemed less the result of the state's autonomous decisions than the result of a process of negotiation between industry and the state. For example, the watch and clock industry association presented its own rescue plans to the government and then spent a great deal of time negotiating for the aid it had requested and arguing about how to restructure. This bargaining between the two sides was common; it appeared in every case where aid was demanded. The French state did have ample negotiating leverage in this process. In most cases, it was able to prompt restructuring, even if not desired by the industry. But this was a bargained outcome. Whether it wanted to or not, the state paid for restructuring by giving aid to the industry.

As has been noted by other observers, relations appear far more adversarial in the United States.<sup>55</sup> In the cases examined here, less could be done to induce industries to change their ways, but threats and denials of help were possible. The threat of antitrust action was used in several of the U.S. cases to force industries to back down from making trade complaints. For instance, by impounding all of the machine tool industry's documents in an antitrust suit, the government prevented it from filing a major trade complaint. The denial of indus-

jarja, Zubair Iqbal, Naheed Kurmani, and Lorenzo Perez, *Developments in International Trade Policy* (Washington, D.C.: IMF, Occasional Paper no. 16, November 1982), p. 56; and Lawrence Franko, in Gerald K. Helleiner, Helen Junz, and Lawrence Franko, *Protectionism or Industrial Adjustment* (Paris: Atlantic Institute, 1980), p. 39.

<sup>53</sup> EMF, *International Industrial Competitiveness*, p. 168.

<sup>54</sup> Zysman, "French State in the International Economy"; Zysman, *Governments, Markets, and Growth*, esp. chs. 2, 3, 6; and Peter Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (New York: Oxford University Press, 1986), pp. 152-53.

<sup>55</sup> E.g., see Steven Kelman, *Regulating America, Regulating Sweden* (Cambridge: MIT Press, 1981); David Vogel, *National Styles of Regulation* (Ithaca: Cornell University Press, 1986).

try demands was also possible through the ITC's findings or presidential decisions, as happened to the footwear industry several times. Such denial and threats were less evident in France. There, the long-standing, intimate relations between industries and the state fostered the negotiated resolution of industry problems. Overall, the French state did not appear to be significantly better equipped with trade or industrial policy instruments. Both countries had a plethora of their own, specific means for aiding industries.

#### (4) Coherence of State Policy Goals

French policy makers have been characterized as possessing a set of goals, distinct from much of their society's, by which they have directed the French economy in the postwar period. The central aim of French foreign policy has been the enhancement of national autonomy and influence.<sup>56</sup> This has involved policies to maximize French economic power combined with attempts to minimize its external dependence. Such goals have entailed promoting economic growth, creating and protecting strategic infant industries, and maintaining a rough balance of payments to uphold the franc's value through capital and import controls.

Evidence of a coherent policy following these goals is mixed for the 1970s, however, as it was for earlier periods.<sup>57</sup> Trade and industrial policy making in this decade have been characterized as "ad hoc, inconsistent, and short term."<sup>58</sup> Money was given to ailing industries in the hope that they would recover, and protection was granted to various industries at times.<sup>59</sup> As the cases here demonstrate, some sectors received protection and aid—e.g., footwear, watches and clocks, and televisions—while larger and more significant industries in difficulty

<sup>56</sup> Douglas Ashford, *Policy and Politics in France: Living with Uncertainty* (Philadelphia: Temple University Press, 1982), pp. 148-52; Ardagh, *France in the 1980s*, ch. 2; Kuisel, *Capitalism and the State in France*, ch. 10; Edward Kolodziej, *French International Policy under De Gaulle and Pompidou* (Ithaca: Cornell University Press, 1974), chs. 1, 4.

<sup>57</sup> Vincent Wright, "Politics and Administration under the French Fifth Republic," *Political Studies* 22 (March 1973):44-65, is one of the few to note the earlier policies' incoherence.

<sup>58</sup> Giordano, "Analyse de la Politique Française du Commerce Extérieur," 1982, pp. 54-57; see also Bobe, "La Politique Française Commerciale," and Patrick Messerlin, "Reconquête du Marché Intérieur ou Protectionnisme?" in *Internationalisation et Autonomie*, ed. Bourguinat

<sup>59</sup> Giordano, "Analyse de la Politique Française du Commerce Extérieur," 1982; Stephen S. Cohen, "Informed Bewilderment: French Economic Strategy and the Crisis," in *France in a Troubled World Economy*, ed. Cohen and Gourevitch; Suzanne Berger, "Lame Ducks and National Champions," in *The Fifth Republic at Twenty*, ed. Andrews and Hoffmann, pp. 292-310.

went without them—e.g., pharmaceuticals, tires, and glass. In the latter cases, the industries adjusted on their own; adjustment proceeded through a "company-led" approach.<sup>60</sup> This haphazard "pattern" of protection and aid in France does not support a vision of policy makers unified in the pursuit of common goals, but rather one of a state making ad hoc adjustments, in part to meet its industries' demands.

Like the Americans, French policy makers in the 1970s were increasingly caught in the dilemma of how to preserve their national autonomy in the face of growing international interdependence. External economic shocks multiplied, and the French found it more and more difficult to pursue their long-standing aims. Their response did not involve a coherent plan, but rather a series of uncoordinated measures and compromises designed to revive growth and allow for some autonomy without disrupting their new interdependence. In 1981 and 1982, when the Socialists undertook a concerted effort at reflation, France's constrained ability to pursue national goals was starkly revealed.<sup>61</sup> In the early 1980s, greatly increased interdependence frustrated French policy makers. Rather than reduce this interdependence by closing the economy, the Socialists accepted it and instead altered their domestic policies. The management of their economy's new integration into the world marketplace thus proved a continuing and growing problem for the French from 1968 on, as it did for many other advanced industrial countries, including the United States.

In sum, the picture of the French state drawn here is one much less insulated from and imposing over its society than many characterizations suggest. This state constantly negotiates with its industries; it does not dictate policy to them. Policy making concerning trade and industrial issues seems less unified and not dominated by isolated bureaucrats. Instead it involves frequent contact between business and the state as well as dependence by bureaucrats on industries for help in collecting information and implementing policies. Moreover, the policy instruments available in these issue areas do not seem much more numerous than those available in the United States. In addition, French policy in the 1970s does not appear to have been a coherent, planned effort in pursuit of well-established goals. It was rather a series of ad hoc measures, frequently prompted and designed by industries themselves, to absorb the impact of the decade's external shocks.

<sup>60</sup> Zysman, *Governments, Markets, and Growth*, in contrast, claims that the United States follows a "company-led" adjustment strategy, while France follows a "state-led" one.

<sup>61</sup> Hall, *Governing the Economy*, ch. 8; Kahler, "European Protectionism"

The traditional view of the French state may have been more accurate for the period before the 1970s. But the success of the state in transforming its society and increasing its integration into the world economy has altered the state and its relationship with its society. As theorists concerned with the state have concluded:

Although strong, effective state interventions in economic processes may grow out of coherent bureaucracies relatively autonomous from dominant social classes, those very interventions are likely in time to lead to diminished state autonomy and capacities for further intervention, because affected groups will mobilize to pressure state authorities or to penetrate relevant parts of the state apparatus.<sup>62</sup>

This phenomenon, which reduced state autonomy, affected France by the 1970s for a number of reasons. According to one study, it was

the evolution of French planning [that] began to erode the "etatism" of the French state. To drive the French economy to new levels [of growth], the state forged an alliance with advanced sectors of capital that radically narrowed the distance between itself and society. Although planning institutions greatly enhanced the capacity of the French state for strategic thinking, they did not ultimately improve its cohesion. Moreover, planning eroded the traditional bases on which the state's claim to authority rested and forced policy-makers to seek new ways to legitimate their actions.<sup>63</sup>

Others maintain that the roots of the French state's problem lay in opening its economy.<sup>64</sup> This opening made planning exceedingly difficult, forced the state to ally with industry to promote competition, and fostered the growth of large, dynamic multinational French firms that were less dependent on the state. For these reasons and others, the autonomy, insulation, and coherence of the French state eroded in the 1970s, and the state that emerged was one more in contact with and dependent upon its major societal actors, especially business.

What does the picture here of the French policy process imply about the French state, its relationship with business, and its "capacity" for controlling political outcomes? First, as others have pointed out, this question has no general answer. These relations and the state's capacity vary over time, by issue, and by sector. As John Zysman notes, "a

<sup>62</sup> Evans, Rueschemeyer, and Skocpol, eds., *Bringing the State Back In*, p. 42.

<sup>63</sup> Hall, *Governing the Economy*, p. 180.

<sup>64</sup> Michalet, "France," pp. 115-22. Zysman, *Governments, Markets, and Growth*, pp. 150-51, sees a reduction in firms' dependence on the state but not a loss of state independence.

government's ability to act in one policy arena will be very different from its ability to act in another."<sup>65</sup> Confining ourselves to the trade policy area, can anything be said about the French state and its capacity to act, especially relative to the United States? It is clear that the distinction between the United States as a "weak" state and France as a "strong" one in the trade, and perhaps industrial, policy arena is not accurate. What seems most important is the recognition that the French and American states, as advanced industrial democracies, are constrained in similar ways. Other observers have pointed out:

In a complex industrial society like that of France, any government is faced with a number of problems: it is constrained by the past, since yesterday's commitments and policies invariably provide today's basic priorities; it is faced with all the inherent problems of managing an "intermediate economy" in an interdependent world; it is inhibited by powerful interests entrenched in the various "policy communities"; . . . it has at its disposal a vast but unwieldy, fragmented and divided state apparatus. And it has to win elections.<sup>66</sup>

All elements in this but one apply equally well to the United States. Only America's predominant economic role seems different. The economic hegemony it has wielded has freed it from many of the external constraints that the French have faced, but not from the internal ones. Although it is arguable that as a hegemon, the U.S. state was able to pursue an "ideological foreign policy" divorced from societal interests, it is clearer that the loss of U.S. competitiveness in many sectors, a manifestation of its hegemonic decline, has intensified societal pressures on the state.<sup>67</sup>

As for the French state, it too faces the same constraints that force it to respond to societal interests, especially business ones. In advanced industrial democracies, as Charles Lindblom argues, business has a "privileged position" with the state because its economic performance affects the electoral prospects of politicians, who therefore listen closely to business demands. He characterizes the relation between the

<sup>65</sup> Zysman, *Governments, Markets, and Growth*, p. 297. Howard Machin and Vincent Wright, eds., *Economic Policy and Policy-Making under the Mitterrand Presidency, 1981-84* (New York: St. Martin's Press, 1985), p. 21.

<sup>66</sup> Machin and Wright, *Economic Policy under Mitterrand*, p. 34.

<sup>67</sup> The argument about ideology is in Stephen Krasner, *Defending the National Interest* (Princeton: Princeton University Press, 1978), ch. 9. Later he discusses the consequences of declining hegemony; see Stephen Krasner, "The Tokyo Round: Particularistic Interests and Prospects for Stability in the Global Trading System," *International Studies Quarterly* 23 (December 1979):491-531.

French state and industry as "an explicit exchange of favors: industry offers performance—expansion, relocation, technological innovation, and the like—in exchange for governmental favors like tax rebates, subsidies, or credit advances."<sup>68</sup> This pattern was evident in our cases, when industries offered better performance through restructuring in exchange for state aid. Lindblom also notes the limits on this exchange:

Obviously in no system do businessmen get all they ask for. The task of government is to find responses to the demands of businessmen sufficient to motivate them to perform the tasks delegated to them, but without simply turning policy-making over to them lock, stock, and barrel. It is a task that requires great skill if it is to be done well enough to maintain economic stability and growth.<sup>69</sup>

Again, the cases here support this. Industries did not always get what they wanted. The relationship between industry and the state in both countries seems set within certain constraints that force the state to include business demands in its policy deliberations. Within these constraints, however, the state has the capacity to act independently, especially under certain circumstances, such as when firms in an industry are severely divided in their preferences.

#### CONCLUSION

Rising international economic interdependence has been experienced similarly in the United States and France. In both economies, firms' growing ties to the world economy have altered their trade preferences, shifting them away from protectionism even in times of economic distress. As in the United States, firms in France with sizable international ties were less protectionist than more domestically oriented industries. The costs of protection motivated these firms to seek other solutions to their problems. These costs, especially the loss of competitiveness associated with a small home market, were often even more imposing for the French. However, French interdependence was less well established and more geographically limited than that of the United States. France's international ties developed most after 1958, and its multinationals remain small in comparison to those of the United States. In addition, France's ties were strongest within Europe. Resistance to protectionism in France thus depended more on

<sup>68</sup> Charles Lindblom, *Politics and Markets* (New York: Basic Books, 1977), chs. 12, 13, esp. p. 183.

<sup>69</sup> *Ibid.*, p. 183.

its export-oriented firms and was most powerful when involving the European market.

The change in firms' preferences due to increased interdependence has helped to divide industries on matters of trade policy. Intra-industry disputes over trade have weakened pressures for protection. But these divisions were less apparent in France than in the United States. The government's policy of fostering concentration and national champions reduced some industries to one major firm. These policies have limited intra-industry divisions in France and thus undercut another source of resistance to protection.

Finally, the French policy process has shown that firms' preferences helped shape trade policy outcomes. The traditional view of the French state as a "strong" one—operating in isolation from its society through a centralized structure run by professional bureaucrats, possessing clear and autonomous goals and all the instruments needed to forward them—is challenged by our cases and other recent studies, which point to a state in constant negotiation with its industries. This state in the 1970s and early 1980s at least was less centralized and less well endowed with policy instruments than other accounts suggest. Its policy makers did not appear so isolated or independent, and its policy was less coherent and long-term oriented. As in all advanced industrial democracies, the preferences of its firms and industries were able to influence trade and industrial policy outcomes because these groups played an important role in the policy process.