

Assessing the wages of unrest in France

Credibility's hurt, business chief warns

By James Kanter
and Katrin Bennhold

PARIS: The chief of France's largest employers' federation warned Tuesday that the recent strikes and violence that blocked a labor law had hurt businesses and eroded confidence among investors.

Two months of unrest has "endangered the credibility of our country in its ability to adapt to today's world," said Laurence Parisot, the president of Medef, citing feedback from a number of foreign companies.

Her comments came as scattered student protests continued to cause small-scale disruptions across France, a day after President Jacques Chirac bowed to pressure from the streets and decided to replace a contested law on youth employment.

Speaking at a press conference at Medef headquarters here, Parisot said that overall damage to the economy was "very difficult to evaluate." But she talked of "numerous microeconomic signals from companies about order books" falling below expected levels.

She has previously warned about the tourism sector being at risk as images of burning cars and street battles in central Paris put off visitors already scarred by three weeks of rioting in immigrant suburbs in November. The French capital is the world's No. 1 tourism destination.

The Bank of France governor, Christian Noyer, said in an interview with BFM radio that he thought the economic impact of the crisis was "relatively low," and he signaled that the economy should still grow by about 2 percent this year.

But he said he was waiting for data that would show whether production levels actually had fallen in recent weeks.

The new law sparked weeks of mass protests. Student groups, labor unions and opposition politicians joined forces against the so-called First Employment Contract, which aimed at making it easier to hire people under the age of 26 by making it easier to lay them off in the first two years on the job.

Parisot, who has openly criticized the measure for mainly targeting young people, nevertheless praised Prime Minister Dominique de Villepin on Tuesday for standing his ground for as long as possible during weeks of furious opposition.

But she said that talks about future reforms should now proceed between labor unions and employers — and that politicians should become involved only when all sides had agreed on the shape of any new rules.

Sounding an optimistic note, Parisot said more French citizens than ever before were aware of the link between rigid labor laws and chronic unemployment — something that could make reforms in the future easier.

"Taboos have been broken," she said. "For a lot of French people it was a difficult lesson, but the link between the difficulty in firing people and higher unemployment is now better established."

She said claims of victory by union leaders were wrongheaded given the need to boost competitiveness in France. "With victories like that, we will soon all be losers," she said.

Parisot reserved her toughest criticism for protesters who in recent weeks had raided or damaged about 20



Regis Duvignau/Reuters

Laurence Parisot, head of Medef, said Tuesday that unrest had eroded investors' confidence in France. Meanwhile, some students continued demonstrating in Bordeaux and other cities, vowing to keep up the pressure until the contested law has actually been replaced.

Medef offices across France, including sites in Montpellier, Bordeaux, Avignon and Metz. "We are outraged by these acts of vandalism," she said.

With the law effectively repealed and Easter vacations starting this week in several regions, there were clear signs that the protests were running out of steam. Only 41,000 students demonstrated in 61 marches Tuesday across the country, the police said, compared with one million the previous Tuesday.

But isolated clashes and protests continued across the country as students vowed to keep up the pressure until the contested law has actually been replaced.

"We have won, and that's why there are few people on the streets today,"