

FRANCE, THE EU AND CURRENT TRADE WAR

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Riga, the 28th of June 2025, Eurocapitales Meeting

We live today in a world of trade that is threatened by the initiatives of Donald Trump. This world is the world created by the GATT in 1947 and extended by the creation of WTO in 1995. My topic is: "France, the EU and current trade war" triggered by Pt Trump. I will address successively the following matters: the situation of France in world trade, its link with the EU and (therefore) give some hints to understand its current position.

In today's world trade France is an important player, with trade representing 71% of its GDP (World Bank, latest data available). According to data from Comtrade, France's exports in 2023 were led by powered aircraft (4.7%), medicaments (4.1%), motor cars (3.9%), turbojets and gas turbines (3.1%), and parts and accessories for motor vehicles (2.3%); whereas imports comprised petroleum oils (7.7%), motor cars (5.9%), petroleum gas (4.9%), parts and accessories for motor vehicles (2.5%), and medicaments (2.3%). Aerospace exports continued to recover in 2023 (+16.7%) but remained below 2019 levels. Exports of perfumes, cosmetics, textiles, and capital goods reached record highs. Trade is vital to industrial know-how and even more for its services. France is worldwide the nr 7 among exporting countries but nr 1 in some branches. Its share in world trade is more or less 1%.

France is the United States' third-largest trading partner within the European Union (EU). According to the French government, France accounted for almost 11 percent of total U.S. exports and imports of goods and services with the EU in 2022. The US make in 2024 8,7% of French exports and 7,7% of French imports.

So, the questions we have to ask is: how vulnerable is France in the current trade war? The answer is not easy for several reasons. There are indeed elements of vulnerability and also of strength: first of all, French commercial balance with the USA is largely in deficit favor of France. The USA imports a lot of French drinks and food, and also luxury goods but exports less goods, mainly services. Little trade wars already happened in the past, in the time of George Bush senior, that targeted French cheese or wine. And the US won. However French exports to the US make only 1,6% of French GDP, this is much less than Italy or Germany. The EU as a whole owes 2,8 of its GDP to exportations to the US.

However, today's situation is not that clear, partly because of the EU. One of the reasons Trump doesn't like the EU is that it makes impossible for him to apply the classical principle "Divide ut imperas". The US favored tactics is to negotiate in a position of force with weaker countries. It is not possible with the EU-countries and the professionalized corps of experienced EU-negotiators. The EU is a market of 450 million of consumers. AND another very important fact: the European Commission has the monopoly of negotiating tariffs. Unlike a traditional free trade area—members of the customs union impose a common external tariff on all goods entering the union. This means that if Trump decides to raise tariffs on French produces, I can fear retaliation

measures for ALL American goods or services entering the EU-market. This makes any decision awkward, it must be very precisely targeted.

The European Commission negotiates for and on behalf of the Union as a whole in international trade deals, rather than each member state negotiating individually. It also represents the Union in the World Trade Organization and any trade disputes mediated through it.

For that reason, we may say that trade relations between France and the US are **triangular**, trilateral, and if we add local unions and associations we may even speak of a new kind of multilateral frame, which would include for instance companies, farmers unions and trade unions. France could legally retaliate to Trump's threats by raising tariffs on American goods, like Canada for instance, which could be legal but not very efficient. It would need to inform Brussels and this would need to be transitory.

However, Macron stresses the necessity to avoid such personal policies and to favor common European policies. What's at stake is the common European capacity to respond to tariff attacks. Soverainists in France are blaming the EU for limiting the national power of retaliation. However, there are hardly disagreements in France on this issue and most agree to conceive a European retaliation that could for instance tackle strategically the American services and increase the French power.

The situation however is very different for the current MERCOSUR debate. There is a serious twist ongoing between French government, backed by farmers organizations and most political parties for accepting that deal. The commission is bullying for dividing the deal in two parts, one political, the other one non-political in order to make parliamentary ratification unnecessary. Time will tell if France will manage to unite big European countries (Poland, Italy, Ireland, Netherlands) against this ratification but the current climate clearly doesn't favor this option. There is actually a kind of "free trade reflex" triggered by Donald Trump that goes in the other direction.

As a conclusion I would like to emphasize the value of European unity for being stronger in the trade relations. The more united we are the stronger we are. But free trade must also be fair trade and respect environment and I am not quite sure that this is the case for the MERCOSUR deal.