

'It's up to the United States to make the first move'

Between allies, friends and historical partners, we should speak with frankness. And that is what I did last week in Whistler, Canada, at the meeting of Finance ministers and central bankers from the seven economic powers which make up the G7.

It is with frankness that I expressed my disappointment and my concerns following the decision made by our American allies to increase tariffs on steel and aluminium.

First, for legal reasons. The American authorities are hiding behind misleading arguments when they say that it is for reasons of national security that they want to protect their steel and aluminium industry. Such a move is completely unjustified and above all contrary to all international rules, contrary to all the standards of world trade and contrary to the multilateral order which we, the USA and France, contributed to create after World War II. This unfair and unjustified decision also constitutes a damaging precedent. It makes it harder to encourage countries that are still a long way from respecting these rules to do so. How can we tell China to abide by multilateral rules, if the United States, our partner over decades, contests them?

Second, for economic reasons. By introducing these new tariffs, the USA are putting us at risk of a trade war, which no one would benefit from. We all know it: everybody loses in the end in trade wars. Such an escalation in tension also poses a threat for the economic recovery taking place in Europe. More insidiously, it feeds populism at a time when Europe is shaken by protest parties. These parties thrive on such conflicts. There is no doubt they will benefit from less growth and fewer jobs. This attempt by the USA to weaken Europe is one more argument for populists.

And finally, for political reasons. Ever since the foundation of the American nation, France has stood side by side with the United States. As the French President recalled during his recent trip to Washington, we have been strong and active allies in our common action against terrorism, both in Sahel or in the Near-East, or to prevent the use of chemical weapons against civilians in Syria. We have maintained our defence spending and even decided to increase it so that it reaches 2 % of our GDP.

For all these reasons, we can neither understand nor accept the United States' recent decisions. How can one explain that America's closest allies are being treated exactly like China – when we know that steel and aluminium overcapacities are mainly due to the state subsidies that China provides and that Europe is in no way responsible for them?

However, we need to find a way out of the current situation. And we do share the American analysis on several points. Like our allies, we think it necessary to improve the global trade system and to make it both stronger and more efficient. Like our allies, we think that intellectual property rights are insufficiently protected. Like our allies, we know that public markets are not as open and accessible in some countries as they are in Europe. Like our allies, we think it's essential to review the framework for public subsidies which today creates unfair trade distortions. Like our allies, we want to rebuild the World Trade Organisation.

But we deeply disagree as to how to respond to these challenges. Unilateralism will lead nowhere but to conflict.

Faced with such attacks, the EU has demonstrated its unity and its capacity to reply with strength and purpose. We are ready with the necessary measures: a complaint to the WTO and appropriate counter-measures and safeguard clauses. We do not want the situation to escalate to a full-blown and merciless trade war, but hostile actions cannot be left unanswered. The EU is now determined to assert its economic sovereignty.

If the United States want to revive discussions with their historical allies, it's up to them to make the first move. They should show their willingness to cooperate through clear signs of de-escalation. As for France and the EU, we will always keep acting in a constructive way to improve the multilateral system. Last week at the OECD, the French President invited the big trading nations to work together on an ambitious reform of multilateral trade rules. Only a strong and modernised multilateral system can deal with the important imbalances and injustices that exist in global trade today.