
FRANCE AND GERMANY SHOW UNITY IN RESPONSE TO US-CHINA TRADE WAR

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Paris and Berlin are sticking together in the face of the American trade threat. Both countries want to do everything possible to avoid the introduction of new customs duties between Europe and the US. EURACTIV France reports.

During the 50th Franco-German Economic and Financial Council (CEFFA), French Economy and Finance Minister Bruno Le Maire and his German counterparts Olaf Scholz and Peter Altmaier reiterated their wish to avoid a trade war with the US at all costs.

US President Donald Trump plans to impose customs duties on European goods worth \$11.2 billion a year to compensate for EU subsidies given to aircraft manufacturer Airbus.

The World Trade Organisation (WTO) has given Trumps plan its blessing, at least partially. But the WTO is also expected to decide in spring 2020 on the levels of taxes that the EU could set in response to Washingtons subsidies to Boeing.

Europeans want to avoid this escalation at all costs, particularly at a time when the trade wars between Washington and Beijing has already eroded global growth. And by 2020, these trade relations could cost the world 0.5 points less growth according to Le Maire.

We continue to reach out to our American allies, said Le Maire at a press conference with his German counterparts. We do not want a trade dispute with the US * But if they were to impose sanctions on us, we must know that we would be ready to respond, again within the framework of the WTO and the opportunities it will give us in a few months, he continued.

To us, it does not seem to be good policy to have the US imposing sanctions on Europe on the basis of the WTO decision, with Europe reacting a few months later, said Le Maire.

Trade wars are not good for anyone, he added.

Europe launches last-ditch effort to avoid US tariffs

The European Commission has dangled the prospect of limiting its public subsidies to the US administration in an attempt to avoid further tariffs from Washington that could come as early as next month in the context of the Airbus-Boeing dispute.

A common economic strategy?

In addition to the sensitive issue of the aviation industry, Le Maire recalled that the Franco-German duo should be all the more united in the context of slowing global growth against the backdrop of the China/US dispute as well as climate and technological challenges.

We need to face this together and have a common economic strategy, he said.

Among the points of agreement, Paris and Berlin have committed to work together to reduce public debt and pursue structural reforms, despite these issues being of concern to France.

On the German side, there is a growing acceptance of the need to invest more in the economy to boost growth. We need a fiscal policy that is capable of taking over from monetary policy, despite leaders telling us they are less effective, explained Le Maire.

In the joint statement, there is a mention of growth strategy, he added, highlighting that Germany has started to spend more money, but we are still debating over the timetable.

Germany has already started to increase public investment in 2018, with a 7.7% increase according to European Commission data. Yet, Germanys investment rate still remains below the eurozone average.

The two countries also announced the launch of their European electric battery project. The electric battery plant is set to be located in Frances New Aquitaine and should employ 200 workers.

We are announcing the start of the first project. Together with Opel, Peugeot, Total, Saft and other companies, we will notify the European Commission about the project in a few days time, said Altmaier.

The battery project is expected to start work by the end of the year.

(Edited by Benjamin Fox)

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