

France is the fourth largest exporter of goods in the world, the second in services and agriculture, and among the members of the EU (European Union) it is the largest producer and exporter of agricultural products.ⁱ It is the fourth greatest contributor to the IMF (International Monetary Fund) as well as being one of the founding members of its inception in 1945.ⁱⁱ In addition, France belongs to many other significant international economic institutions such as the OECD (Organization for Economic Cooperation and Development), the WTO (World Trade Organization), and the G7 / G8.ⁱⁱⁱ Clearly one can see the importance of France's contribution to international trade. Despite its great role, France is undergoing substantial reforms both in trade and in its domestic economic policies, partially to become more competitive, but mostly to lift itself out of the oncoming recession. To make things worse, trade with the United States has decreased due to the appreciation of the Euro and France's opposition to the Iraq war^{iv}. With terrorism and nuclear proliferation by rogue states on the center stage, France has had to take sides and develop policies to deal with these rising threats. Defense spending has for instance increased to nearly 11% of the GDP to better equip France to participate in multilateral operations.^v France plays a unique role in Europe and the world today, and its economic policies both reflect and influence its foreign policy.

Facing an unemployment rate of 9.6% since July 2003, France is adjusting many of its older and newer policies to increase productivity.⁹ Although US government websites consider France to be essentially a market economy, French government spending totaled 53.5% of its GDP in 2002^{vi}, and it continues to own portions of several sectors such as banking, energy production and distribution, automobiles, transportation, and

telecommunications.^{vii} Prime Minister Raffarin is working to decentralize France by transferring government responsibility to each respective region. The French constitution was recently revised on March 17, 2003 to accommodate for this.⁶ Mr. Raffarin has also recently passed a law raising the number of years public sector workers must be employed to receive pension. Instead of working for 37.5 years, they will now have to work for 42 years. Similarly, an investigation is being conducted on the economic effects of the controversial 35 hour work week introduced four years ago. These efforts are no doubt aimed at bringing productivity up to a higher level. Deficiencies in the public health insurance fund are driving the deficit above the 3% mark agreed upon by all EU member states in the Stability and Growth Pact.^{viii} Despite the GDP deficit rising to approximately 4% by the end of 2003, France predicts it will make a turnaround by 2004 through increased productivity and tighter control of the health care fund, which makes up 9.5% of the total GDP.^{ix} While most of these reforms are somewhat indirect, income tax is being cut 3% next year to directly influence consumer spending, which despite fears will only freeze public spending, not cut it.^x Through these varied reforms and policies, France should make headway by next year in curing some of its economic difficulties.

Amid major change and loose economic policies, France and the EU also face international pressure to reform their farm policies and drop their halt on the importation of genetically modified food. There is no doubt that trade is an important part of France today, as nearly 26% of the GDP is comprised of exports.¹ France enjoys a current account surplus of 26 billion dollars, which constitutes 1.8% of the GDP.⁶ 63% of its trade comes from the EU, notably Germany, Italy, the United Kingdom, Belgium, Luxembourg, and Spain. Outside of the EU, the United States accounts for a large portion of trade with France¹ It is

with the United States and other non-EU trade partners where controversy arises over farm subsidies and the moratorium on genetically modified foods. Through the Common Agricultural Policy the EU subsidizes its agriculture, and as a result it drives down market prices to levels that developing countries cannot compete with.^{xi} France is one of the four largest recipients of this subsidy. In June 2003, negotiations got as far as convincing the EU to cut intervention prices (the minimum price promised to farmers) on butter and powdered milk, however, olive oil, sugar, and cereals will remain unchanged until the EU suggests specific reforms.^{xii} Since France has a yearly farming good surplus of approximately 7.17 billion euros, it is easy to understand why these subsidies are so favored in France.¹ Genetically modified food is the other major agricultural issue facing France and the EU today. The EU prohibits the importation of genetically modified food without it being labeled as such. African countries have "declined US aid in the form of genetically modified food out of concern that it might taint their own crops, thus making them unsalable in Europe."¹³ This has caused reaction from Robert Zoellick, the trade representative for US President George W. Bush, to file a formal complaint with the WTO against the EU's policy.^{xiii} While the argument concerning the safety of genetically modified foods still goes on today, France benefits from this policy regardless, because in the European market it faces much less competition in agriculture. Aside from these main trade issues, France and the EU also consider environmental issues, social issues, and new trade rules to be important, so that the developed countries are not the only ones benefiting from globalization.¹⁶ We can clearly note the benefits that protective agricultural policies have brought France while also seeing that France does take the well-being of developing countries into consideration.

French trade with Middle-Eastern countries is often an ambiguous and complicated subject as one notes the criticisms of the French and their responses. French oil companies have had a longstanding seventy-five year presence in Iraq, and though no oil contracts have been signed, Iraq agreed to have France develop oil fields during the nineteen-nineties to produce 1 million bbl. a day.^{xiv} Some would even go as far to say that France was trading items to Iraq that could be used as weapons. Such items range from tractor-trailers that can be modified and used as scud launchers, to fiber optic telecommunications that would make it difficult to spy on, and of course pesticides that could be used as chemical weapons.^{xv} However, in response to a question concerning trade as the underlying cause for France's stance on the Iraq war, French Diplomatic Counselor Martin Briens was quick to point out that, "if we really had such a large economic interest in Iraq, we would have waged this war with the US to get access to contracts."^{xvi} France even participated in the UN trade sanctions on Iraq.¹⁶ However, other news sources show that as sanctions had been eased, France ended up exporting the most out of all countries trading to Iraq in 2001 which amounted to \$3.5 billion in goods.[†] Furthermore, the UN's French supported oil for food program may have done more harm than good by putting millions of dollars in the hands of Saddam Hussein.^{xvii} Intentions aside, it is clear that France did not support the US led Iraq war. US media and news sources have argued often enough that France was propelled by economic reasons, but France has continuously refuted this, saying that trade was not a consideration in its anti-war stance.

While the French anti-war stance has undergone much criticism, France's help in the war on terror goes practically unnoticed. France has quite a history dealing with

[†] Lou Dobbs makes use of these numbers, while the French Embassy did not mention this level of trade with Iraq at all, saying that the war did not affect trade with France, because sanctions prevent it.

terrorism going back to waves of Iranian terrorist activity in the mid-nineteen-eighties to Algerian terrorist activity in the mid-nineteen-nineties. The French have developed intelligence agencies very experienced in the infiltration of terrorist groups. The EU itself keeps the official list of terrorist groups, but France has been very helpful in tracking these groups and freezing their assets and bank accounts. France has also made itself secure from the effects of possible terrorist attacks or takeovers of Middle-Eastern oil fields. By investing 80% of energy production in nuclear programs throughout the nineteen-seventies, and by beginning to import oil from Russia, France has made itself less vulnerable to fluctuations in the price of oil. However, France would still feel the effects of such an attack through its EU trade partners like Germany, who are not as well diversified in their energy production.¹⁶ Although these are not all well known facts, France is indeed fighting and protecting itself from terrorism on the economic level.

By taking a comprehensive look at France's domestic economic policy, we see a France that is undergoing reforms to boost productivity. In its trade policy, France stands together with the EU. It is accepting gradual reductions in its agricultural subsidies, but it is waiting for the US to lower its barriers as well. From the French point of view, trade with Iraq was not considered a factor in France's anti-war position, and so this is how it must be with any other state promoting its proliferation of nuclear weapons. There must be a clear and present danger for France to agree to intervention. France will continue to fight the war against terror and help its friends in targeting terrorist groups and freezing their assets. These combined economic policies should greatly help to predict France's behavior and relationship with the world in any near future dilemmas.

ⁱ "Profile of France - Economy," Ministère des Affaires étrangères, 15 March 2002, available from <<http://www.diplomatie.gouv.fr/venir/voicilafrance/gb/page05.html>>.

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- ⁱⁱ "France and the IMF," Ministère des Affaires étrangères, 9 April 2002, available from <<http://www.diplomatie.gouv.fr/actu/article.gb.asp?ART=23900>>.
- ⁱⁱⁱ "Multilateral Economic Organizations," Ministère des Affaires étrangères, 3 June 2003, available from <<http://www.france.diplomatie.fr/Thema/dossier.GB.asp?DOS=ECONO>>.
- ^{iv} Carol Matlack, "France: Call all ugly Americans," *Business Week*, Issue 3846 (2003),12.
- ^v "National Defense," Ministère des Affaires étrangères, 14 May 2002, available from <<http://www.diplomatie.gouv.fr/venir/voicilafrance/gb/page02.html#08>>.
- ^{vi} "France - Government Role in the Economy," U.S. Commercial Service, 2003, available from <<http://www.buyusa.gov/france/en/page113.html>>.
- ^{vii} "Background Note: France - Economy," Bureau of European and Eurasian Affairs, February 2003, available from <<http://www.state.gov/r/pa/ei/bgn/3842.htm>>
- ^{viii} "A long, hard climb," *Economist*, Vol. 369 Issue 8346, (18 October 2003), 49-50.
- ^{ix} "Country Finance France - 3.4 Fiscal Policy," *EIU ViewsWire Europe*, (30 September 2003), available from <http://80db.eiu.com.proxygw.wrlc.org/search_view.asp?doc_id=DB1279156&action=go&topicid=FR&pubcode=&search=economy&x=0&y=0&date_restrict=&hits=25>.
- ^x "Ambitious," *Economist*, Vol. 368 Issue 8341, (13 September 2003), 47-48.
- ^{xi} "The Cancun Challenge," *Economist*, Volume 368 Issue 1843, (6 September 2003), 59-61.
- ^{xii} "More Fudge than Breakthrough," *Economist*, (26 June 2003), available from <http://www.economist.com/displaystory.cfm?story_id=1880218>.
- ^{xiii} Tom Hayden, "Globalization and GMOs," *Nation*, Volume 276 Issue 24, (23 June 2003), 23-24.
- ^{xiv} James B. Steele, Laura Karmatz, Terry McCarthy, Adam Zagorin, and Joan Levinstein, "Iraq's Crude Awakening," *Time*, Vol. 161 Issue 20 (19 May 2003), 49-52.
- ^{xv} Kenneth R. Timmerman, "French Twist," *New Republic*, Vol. 228 Issue 10, (17 March 2003), 10-11.
- ^{xvi} Martin Briens, Diplomatic Counselor, French Embassy, interview by author, 29 October 2003, Washington, D.C.
- ^{xvii} Lou Dobbs, "Saddam's business partners," *U.S. News & World Report*, Vol. 134 Issue 11, (7 April 2003), 44.