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U.S.-French Commercial Ties

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Summary

U.S. commercial ties with France are extensive, mutually profitable, and growing. With approximately $1 billion in commercial transactions taking place between the two countries *every day* of the year, each country has an increasingly large stake in the health and openness of the other's economy.

France is the 9th largest merchandise trading partner for the United States and the United States is France's largest trading partner outside the European Union. In 2003, 64% or $29.7 billion of bilateral trade occurred in major industries such as aerospace, pharmaceuticals, medical and scientific equipment, electrical machinery, and plastics where both countries export and import similar products.

The United States and France also have a large and growing trade in services such as tourism, education, finance, insurance and other professional services. In 2003, France was the sixth largest market for U.S. exports of services.

While trade in goods and services receives most of the attention in terms of the commercial relationship, foreign direct investment and the activities of foreign affiliates can be viewed as the backbone of the commercial relationship. The scale of sales of U.S.-owned companies operating in France and French-owned companies operating in the United States outweighs trade transactions by a factor of *five*.

In 2003 France was the ninth largest host country for U.S. foreign direct investment abroad and the United States with investments valued at $47.9 billion was the number one foreign investor in France. During that same year, French companies had direct investments in the United States totaling $143.3 billion (historical cost basis), making France the fifth largest investor in the United States. French-owned companies employed some 466,000 workers in the United States in 2001 compared to 583,000 employees of U.S. companies invested in France.

Most U.S. trade and investment transactions with France, dominated by multinational companies, are non-controversial. Nevertheless, three prominent issues — agriculture, government intervention in corporate activity, and the war in Iraq — have contributed to increased bilateral tensions in recent years. The most pointed perhaps arose in early 2003 with reports of U.S. consumer boycotts of French goods and calls from some Members of Congress for trade retaliation against France (and Germany) due to foreign policy differences over the Iraq War.

The foreign policy dispute, however, appears *not* to have had much impact on sales of products such as French wines, perfumes and toiletries, travel goods and handbags, and cheeses that are most prone to being boycotted. While some public opinion polls suggest support for economic boycotts as a way of expressing opposition to France's position on Iraq, a substantial economic backlash appears unlikely due to the high degree of economic integration. Effective boycotts would jeopardize thousands of jobs on both sides of the Atlantic. This report will be updated as needed. See also its companion report, *France: Factors Shaping French Policy, and Issues in U.S.-French Relations* (CRS Report RL32459), by Paul Gallis.

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This report was written at the request of the co-chairs of the Congressional French Caucus.

U.S.-French Commercial Ties

Overview

U.S. commercial ties with France are extensive, mutually profitable, and growing. Each country has an increasingly large stake in the health and openness of the other's economy. While the relationship dates back to the colonial period, it is also constantly evolving.

The U.S. and French economies share many similarities. Based on a gross domestic product (GDP) of over $11 trillion, the United States is the world's largest economy. France with a GDP approaching $2 trillion is the world's sixth largest economy. France's population of 60 million has a per capita income (based on purchasing power parities in 2002) of $26,000 while the comparable figure for the United States, based on a population of 275 million, is $36,300.[1] As industrialized economies, both share similar structural attributes where over 70% of the civilian workforce is employed in services and less than 3% in agriculture.[2]

At the same time, the state still plays a larger role in the economy of France than in the United States. This is particularly true in the provision of services such as education and health care, but also in energy, telecommunications, and transport where state-owned companies play a prominent role. Policies geared to supporting national champions in leading sectors, to sustaining a network of personal relationships linking the heads of large companies with senior civil servants, and to rejecting American-style *laissez-faire* capitalism also distinguishes France from the United States.[3] Yet, prompted by mandates from the European Union, the government of France has acted to liberalize the vast majority of product markets, including energy, in recent years.[4]

Trade Ties

Differences in the role the state plays in the economy, however, have not precluded a growing number and type of international economic transactions from making the two economies increasingly interdependent. In the case of merchandise trade, France is the 9th largest trading partner for the United States and the United States is France's largest trading partner outside the European Union. As shown in

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[1] *CIA World Factbook, 2003.*

[2] OECD data.

[3] The contrast in unemployment rates, with France approaching 10% and the United States under 6%, is another major difference between the two economies.

[4] The Economist Intelligence Unit, *France: Country Profile 2004, pp. 32-33.* Available at [http://www.eiu.com/schedule].

Table 1, total trade turnover (exports plus imports) totaled $46 billion in 2003, with the United States running a $12.2 billion deficit.

Table 1. U.S. Trade with France in Goods, 1995-2003
(Billions of Dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Exports	14.2	15.5	16.0	17.7	18.9	20.4	19.9	19.0	17.0
Imports	17.2	18.6	20.6	24.0	25.7	29.8	30.4	28.2	29.2
Balance	-3.0	-4.1	-4.6	-6.3	-6.8	-9.4	-10.5	-9.2	-12.2

Source: U.S. Census Bureau.

Most striking about U.S.-French merchandise trade is the extent to which it is concentrated in similar industries and sectors (so-called *intra-industry* trade). In 2003, 64% or $29.7 billion of bilateral trade occurred in major industries such as aerospace, pharmaceuticals, medical and scientific equipment, electrical machinery, and plastics where both countries export and import similar products (see **Tables C** and **D** in the Appendix). Many of these products are components or capital goods used in the production of finished goods in both the United States and France. Furthermore, due to large amounts of foreign direct investment across both sides of the Atlantic, much of this *intra-industry* trade takes place as trade between parent companies and their affiliates (so-called *intra-firm* trade). This kind of trade, where large multinational companies, such as Michelin and General Electric, trade among their affiliates, accounted for $18 billion or 36% of total trade turnover in 2001.[5]

The overwhelming role that both *intra-industry* and *intra-firm* trade play in merchandise trade tends to limit targets of any potential trade retaliation. This is because restrictions placed on most of these traded items would adversely affect domestic production as well as employment of the country imposing the restriction.

The United States and France also have a large and growing trade in services such as tourism, education, finance, insurance, and other professional services. As shown in **Table 2** , the U.S. exported $10.7 billion in services to France in 2002 and imported $9.6 billion in services. These amounts made France the sixth largest market for U.S. exports of services and the seventh largest provider of services to the United States.

[5] CRS calculation based on Department of Commerce, Bureau of Economic Analysis data.

Table 2 . U.S. Trade with France in Services, 1995-2002
(Billions of Dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Exports	7.9	8.9	9.3	9.6	10.0	10.5	10.1	10.7	11.1
Imports	5.9	6.0	6.6	7.4	8.0	10.5	9.9	9.6	10.3
Balance	2.0	2.9	2.7	2.2	2.0	0	0.2	1.1	0.4

Source: U.S. Bureau of Economic Analysis.

From 1995-1999, the United States experienced surpluses in services trade with France that averaged over $2 billion annually. While services trade was basically balanced in 2000 and 2001, the U.S. ran a $1.1 billion surplus in 2002 (the last year for which these data are available). As a result of services trade surpluses, the U.S. incurs smaller deficits with France, as shown in **Table 3**, on trade in both goods and services.

Table 3. U.S. Trade Balance with France on Goods and Services, 1995-2002
(Billions of Dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Balance	-1.0	-1.2	-1.9	-4.1	-4.8	-9.4	-10.3	-8.1	-11.8

Source: U.S. Bureau of Economic Analysis.

Investment Ties

While trade in goods and services receives most of the attention in terms of U.S.-France commercial ties, foreign direct investment and the activities of foreign affiliates can be viewed as the backbone of the commercial relationship. Compared to trade flows, the scale of commercial activities of U.S.-owned companies operating in France and French-owned companies operating in the United States outweighs trade flows by a factor of *five*.

This key dynamic of the commercial relationship is illustrated in **Table 4**. In 2003, French companies sold $201 billion of goods and services to U.S. consumers while U.S. companies sold $169 billion of goods and services to French consumers. Of this combined $371 billion in sales, only $68 billion or 18% was accounted for by international trade (exports of goods and services from French companies to the U.S. and from U.S. companies to France). The vast majority (82%) was due to sales by U.S. foreign affiliates producing and selling in France and French foreign affiliates producing and selling in the United States. The combined U.S.-French annual $371 billion sales figure translates into over $1 billion in commercial transactions taking place *every day* of the year.

Table 4. U.S. - France Commercial Interactions, 2002
(Billions of Dollars)

Commercial Transaction	France	U.S.	Totals
Exports of goods	28.2	19.0	47.2
Exports of services	10.1	10.9	21.0
Foreign affiliate sales	163	139.5	302.5
Totals	201.3	169.4	370.7

Source: Bureau of Economic Analysis, Census Bureau.

In the case of foreign direct investment, France in 2003 was the ninth largest host country for overall U.S. foreign direct investment and the United States was the number one foreign investor with investments valued at $48 billion (historical cost basis). During the same year, French companies had direct investments in the United States totaling $143 billion (valued on a historical cost basis), making France the fifth largest foreign investor in the United States in stock terms. Manufacturing accounted for 40% of total French investments and 47% of total U.S. investments.[6]

The assets of some 2,918 French-owned companies operating in the United States (2001 data) totaled $535 billion, up nearly 700% from $77.5 billion in 1990. The 1,286 U.S.-owned companies operating in France had $191 billion in total assets in 2001, up from $78 billion in 1990 (see **Tables H and I**).

The total gross product or value added of French-owned companies operating in the United States in 2001 was $40 billion, up 200% from $19.2 billion in 1993 (the first year this data was collected).[7] This $40 billion gross product figure is greater than the total gross national product of countries such as Morocco, Ukraine, and Vietnam. At the same time, U.S. companies contributed $34.4 billion towards France's GDP in 2001, a sum exceeding the gross national products of Bolivia and Guatemala.[8]

Affiliate sales are the primary means by which French companies deliver goods and services to U.S. consumers. In 2001, French affiliate sales totaled $188 billion, up from $81.9 billion in 1990. Adjusting the $188 billion figure down by $16 billion — which was the value of French affiliate exports to the world in 2001 — translates

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[6] Unless otherwise noted, all foreign direct investment data come from the U.S. Department of Commerce, Bureau of Economic Analysis.

[7] Gross product is defined as the market value of goods and services produced by labor and property located in the United States. Gross product can be measured as gross output (sales or receipts and other operating income plus inventory change) minus intermediate inputs (purchased goods and services).

[8] GDP data from World Bank Development Report, 2003.

into $172 billion in French affiliate sales to U.S. consumers, an amount that is 4.6 times greater than total French exports to the United States.

Sales of U.S. affiliates operating in France totaled $135 billion in 2001, up from $102 billion in 1990. Adjusting for possible double-counting by subtracting the $4.1 billion in exports shipped by U.S. affiliates to the United States gives a net sales figure of $130.9 billion. This figure, in turn, swamps the $19.9 billion in U.S. exports of goods to France by a factor of 6.5.

French-owned companies employed some 578,600 workers in the United States in 2001, up from 338,000 in 1990 but down from 655,000 in 2000. Of this total 262,000 were in manufacturing, 47,000 in wholesale trade, and 38,000 in retail trade. The largest 100 French companies such as Lafarge, Michelin, Sodexho (hotels and food service), EADS (European Aeronautic and Defense Company), Pernod-Richard, and Thomson account for 450,000 (or 78%) of the employment.[9]

A breakdown of employment by state indicates that the top 10 states hosting French subsidiaries are California (63,600), New York (51,000), Texas (50,600), Illinois (29,600), New Jersey (28,400), Pennsylvania (26,800), Florida (25,800), Ohio (23,800), South Carolina (19,400) and Indiana (18,900).

U.S. companies invested in France had 540,500 employees in 2001, the vast majority French citizens. Of this total, 245,000 or 45% were employed in manufacturing industries such as chemicals (49,000), computers and electronic products (28,000), and machinery (25,000). An additional 64,000 people were employed in wholesale trade and 22,000 in scientific and technical services. Coca Cola, for example, has about 2,600 employees in 19 production sites in France.[10]

French companies are also active in doing research and development (R&D) in the United States. In 2001 they spent $3.2 billion on R&D, more than twice as much as the $1.4 billion that U.S. companies spent in France.[11] These expenditures can take a variety of forms. L'Oréal, a Paris-based cosmetics firm, for example, in 2003 set-up a research institute — L'Oréal Institute for Ethnic Hair and Skin Research — with an $1 million investment. This French-owned company reportedly plans to earmark 4% of its annual U.S. sales of $22 million for development of hair spray and skin creams dedicated to the African-American market.[12]

Through the MIT-France Program, the French government also plays a role in supporting research and development in the United States. Funded by matching $1

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[9] Embassy of France. "Economic Relations between France and the United States," January 2004. Available at [http://www.onfo-france-usa.org].

[10] French News Digest, "U.S. Coca-Cola to Launch Mineral Water in France April 2004," January 29, 2004.

[11] Data from U.S. Bureau of Economic Analysis.

[12] Brieger, Peter. "L'Oréal looks to needs of U.S. minority buyers: The French cosmetics firm opened a research institute dedicated to developing products for the African-American consumer," *Financial Post*, April 19, 2004.

million contributions from France and MIT, the program was created in 2000 to support collaboration in science and technology between the two countries, including internships in France for MIT students. In the three years of the program, many of the 200 participating French scientists have taken on prominent positions at Boston-area biotech companies such as Eukarion, Biogen, and Genetix Pharmaceuticals. French scientists have also founded start-up companies in the United States such as Idenix Pharmaceuticals, which develops drugs for the treatment of viral and infectious diseases.[13]

Tensions and Disagreements

France, as a member of the European Union, adopts the same trade policy as other members of the EU.[14] By sharing common tariff and non-tariff policies with other EU members and by adopting EU-wide regulations and standards, there are few trade disputes that can be considered U.S.-French bilateral disagreements per se. Most U.S. trade and investment with France, dominated by multinational companies and intra-firm trade, is non-controversial Nevertheless, three prominent issues — agriculture, government intervention in corporate activity, and the war in Iraq — have contributed to increased bilateral tensions in recent years.

Agriculture. Agricultural trade disputes historically have been the major sticking point in U.S.-France commercial relations. Although the agricultural sector accounts for a declining percentage of output and employment in both countries, it has produced a disproportionate amount of trade tensions between the two sides.

From the U.S. perspective, the restrictive trade regime set up by the Common Agricultural Policy (CAP) has been the real villain. It has been a longstanding U.S. contention that the CAP is the largest single distortion of global agricultural trade. American farmers and policymakers have complained over the years that U.S. sales and profits are adversely affected by (1) EU restrictions on market access that have protected the European market for European farmers; by (2) EU export subsidies that have deflated U.S. sales to third markets; and by (3) EU domestic income support programs that have kept non-competitive European farmers in business.

France's agricultural sector, which in terms of output and land is the largest in Europe, has long been the biggest beneficiary of the CAP. In 2002, French farmers received 9.8 billion euros in CAP subsidies out of a total EU outlay of 43.2 billion euros.[15] Acting to continue benefits and subsidies for its farmers, the French position can determine the limits and parameters of the European Commission's negotiating flexibility on a range of agricultural issues that are of keen interest to the United States. The most prominent and perhaps important example relates to current efforts

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[13] Denison, D.C. "French Seek to Mend Rift Over Iraq with Science." *Boston Globe*, April 28, 2003.

[14] For discussion of U.S.-EU commercial ties, see CRS Report RL30608, *EU-U.S. Economic Ties: Framework, Scope, and Magnitude*, by William Cooper.

[15] European Commission, Directorate for Agriculture, Financial Report 2002. Found at [http://europa.eu.int/comm/agriculture/agrista/2003/table_en/342.pdf].

to get the WTO Doha round of multilateral trade negotiations back on track by reducing agricultural subsidies. While the European Commission on May 10, 2004 offered to eliminate $3.3 billion in export subsidies, François Loos, the French trade minister, balked on the grounds that the commission exceeded its mandate.[16] Other examples where the French position arguably has made settlement of disputes more difficult include expanded trademark protection for wines, cheeses, and other food products linked to specific regions, limits on research and use of genetically-modified (GM) crops, and a ban on the importation of beef treated with hormones.[17]

France tends to receive backing for its position opposing many proposed reforms of the CAP, as well as on other agricultural issues that adversely affect U.S. interests, from Italy, Spain, Greece and Portugal. Germany, which pays around 50% of the EU's $100 billion budget, tends to receive support for agricultural reforms from the Netherlands, Sweden, and the United Kingdom, the other countries that are net financial contributors to the CAP. While the May 1, 2004 entry of 10 new countries into the EU should over time increase pressures for reform of the CAP, France is likely to insist that reductions of support levels be phased in over a long time period in order to allow French farmers plenty of time to adjust.

The U.S. and France have also recently been at loggerheads over food-safety issues. Last year and in early 2004 the EU suspended imports of live poultry and eggs from the United States after a case of highly contagious avian flu emerged in Texas. Then in February of this year the United States imposed an import ban on French cold cuts and foie gras because of sanitation concerns. While both bans (the EU ban has been suspended) may be due to legitimate health safety concerns, underlying suspicions that the bans are politically motivated are not far from the surface, thus highlighting ongoing tensions between the two sides.[18]

Despite the agricultural trade tensions, each side remains a relatively modest agricultural market for the other's products. U.S. agricultural exports to France, totaling some $600 million annually, consist primarily of bulk commodities such as soybeans and products, feeds, and fodders. French agricultural exports to the United

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[16] Meller, Paul. "France Splits With Europe Over Farm Subsidy Plan," *NYT*, May 11, 2004, p. W1. Some observers argue that French opposition to reform is often tactical and that it has not prevented substantial reform of the CAP.

[17] Trademark protection for geographic indications is also an issue of great importance for Italy (parma ham and parmesan cheese), Greece (feta cheese), Hungary (tokay wine), and Portugal (porto wine). Denmark, Italy, and Germany are other EU countries taking the lead on limits on research and use of GM crops and most all EU members strongly support the ban on the importation of beef treated with hormones. For further discussion of these disputes, see CRS Report RS21569, *Geographical Indications and WTO Negotiations*, by Charles Hanrahan, CRS ebtra53, *Biotechnology and Agricultural Trade*, by Geoffrey Becker and Charles Hanrahan, and CRS Report RL31841, *Agricultural Trade Issues in the 108th Congress*, by Geoffrey Becker and Charles Hanrahan.

[18] Dupont, Veronique. "As Feathers Fly Between U.S. and France, A Desperate Hunt for Foie Gras," Agence France Presse, February 25, 2004.

States, which amount to more than $900 million annually, are mostly higher value-added products such as cheese and processed products, beverages, and spirits.[19]

Government Intervention in Corporate Activity. Despite significant reform and privatization over the past 15 years, the center-right French government continues to play a larger role in influencing corporate activity than does the U.S. government. This difference is manifested not only in the French government's continuing direct control of key companies, but also in its continuing proclivity to influence mergers involving French firms. The French government's close corporate ties have also embroiled it in embarrassing disclosures related to an on-going investigation of Credit Lyonnais's 12-year old acquisition of a California insurance company. Nevertheless, although bilateral disputes may be more prone to occur because of the French government's interventionist tendencies, the dictates of EU laws as well as the urgent need to raise the revenues that accompany privatization efforts, are weakening the French *dirigiste* tradition.

In 1997 the socialist government of France restarted a process of privatization and opening of government-controlled firms to private investment that had begun in the 1980s, and the program has been continued by the center-right government that took power in 2002. As a result, by 2003 there were fewer than a dozen public enterprises of any significant size still wholly owned by the state.[20] These included the leading electricity and gas suppliers (EDF and GDF), the quasi-monopoly supplier of postal services (La Poste), the national rail operator (SNCF), a defense equipment munitions manufacturer (GIAT Industries), and an aircraft manufacturer (Snecma). In addition, the state retains a controlling interest in a number of enterprises listed on the stock exchange. These include companies such as Air France, France Telecom, Renault, and Thales (a defense electronics company previously called Thomson CSF). The government also has more limited stakes in Bull, EADS, Dassault Systems and many other firms.[21]

On February 24, 2004, the French government announced its intention to sell a minority interest in Snecma, the aircraft manufacturer that supplied engines for the Rafale and Mirage military aircraft. This partial privatization could be significant since it will affect a company that is now 97% government-owned and deemed by the French government to be operating in a "strategic" sector. The aim, according to the Ministry of Finance, is to allow Snecma to deepen its longstanding partnership with General Electric. An expected $2-$3 billion in receipts could be allocated for capital infusion in other state-owned enterprises or to pay for the state-funded rescue of Credit Lyonnais, a bank that failed in the 1990s.[22]

Despite this example of a renewed government commitment to its privatization program, the French government continues to promote national champions as well. Over the past two years, for example, the government has acted to prevent publishing

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[19] U.S. Department of State, "Background Note: France," February 2004, p.5.

[20] EIU, Country Profile 2004. p. 32.

[21] Ibid.

[22] EIU Country Report, April 2004, p. 19.

and utilities divisions of Vivendi Universal from falling into foreign hands and it has also organized state-sponsored "bail-outs" of France Telecom, Alstom, a big engineering company, and Bull, a computer manufacturer.[23]

The most recent example of French government intervention in the marketplace centered on the creation of a national pharmaceuticals champion. It did this in April 2004 by publically backing the merger of Sanofi-Synthelabo, a Paris-based pharmaceuticals company, with Aventis, a French-German competitor. The merger will make Sanofi-Aventis the world's third largest drug company, behind a U.S. company, Pfizer, and a U.K. company, GlaxoSmithKline. By opposing a rival bid and approach by the Swiss-based Novartis Group, the French government, according to critics, reinforced the belief that it plays a big role in all economic decisions in the French market. Prime Minister Jean-Pierre Raffarin countered that "this does not mean France will be nationalistic, individualistic and egotistical, but will be open to projects with our European and other partners."[24] Nevertheless, the message that the current government, like many of its predecessors, intends to play an active role in the economy that on occasion may favor national control of business may not be lost on foreign investors.[25]

The French government's longstanding propensity to intervene in the marketplace also is related, in part, to the on-going scandal and litigation involving the French bank Credit Lyonnais. In the early 1990s, Credit Lyonnais, then a huge state-owned bank, violated certain U.S. laws in an effort to purchase Executive Life, a failed California-based insurance company. In January of 2004, the French government was forced to plead guilty in U.S. District Court in California to fraud and French taxpayers had to pay $375 million of the $770 million criminal case fines. In a larger civil lawsuit that is scheduled for trial in February 2005, California's insurance regulator is seeking up to $5 billion in damages.[26]

Iraq War. In the era of the Cold War, there was considerable concern that trade disputes between allies could undermine political and security ties. Deep differences over the Iraq war between the United States and many of its allies, particularly France and Germany, reversed this Cold War concern into whether foreign policy disputes can weaken or undermine strong commercial ties.

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[23] Ibid.

[24] Johnson, Jo, "Deal is a setback to investment," *FT*, April 27, 2004, p. 18.

[25] France's newly appointed Finance Minister, Nicolas Sarkozy, in his first news conference, called for relaxation of EU state-aid rules to allow national governments to expend public funds on enhancing the competitiveness of key companies. See Bennhold, Katrin, " Sakozy Urges Europe to Forge Industrial Hubs," *International Herald Tribune* (*IHT*), May 5, 2004, p.1.

[26] Carreyrou, John and Glenn R. Simpson, "Foreign Policy: How Insurance Spat Further Frayed U.S.-French Ties — Paris Forks Over $375 Million in Executive Life Dispute; Gucci Owner Pinned Down — California's Civil Suit Looms," *The Wall Street Journal,* April 16, 2004.

Specific concerns that divisions over Iraq could spill over into the trade arena arose in early 2003 with reports of U.S. consumer boycotts of French goods and calls from some U.S. lawmakers for trade retaliation against France (and Germany). The spike in bilateral tensions and hard feelings, however, appears *not* to have had much impact on sales of the products most likely prone to being boycotted. These include French wines, perfumes and toiletries, travel goods and handbags, and cheeses.[27]

As shown in **Table 5**, U.S. imports of these four categories of French products all increased in absolute terms and as a share of total U.S. imports from France. While total U.S. imports from France increased by 3.5% in 2002/2003, U.S. imports of wine increased by 21.5%, imports of perfumes and toiletries by 17.8%, imports of travel goods and handbags by 31.3%, and imports of cheese and curd by 20.0%. All four categories also increased their share of total imports.[28]

Table 5. U.S. Imports from France of Selected Products, 2001-2003

Description	(Millions of U.S. Dollars)			% Share of Total Imports from France			Change (%)	Change (%)
	2001	2002	2003	2001	2002	2003	2003/2	2004/3*
Wines of fresh grapes	826	933	1,133	2.7	3.3	3.9	21.5	-9.8
Perfumes and toiletries	511	609	717	1.9	2.2	2.5	17.8	6.5
Travel goods; handbags	147	159	209	0.5	0.6	0.7	31.3	18.2
Cheese and curd	72	90	108	0.2	0.3	0.4	20.0	22.0

Source: World Trade Atlas.

The trade data are somewhat surprising given some of the public opinion polling that was done in the spring of 2003. One survey of 1,000 adult Americans, for example, attempted to gauge consumer sentiments towards substituting U.S. or other products for French products as a way of expressing opposition to the France's position on Iraq. Of those polled, 15% indicated they would likely participate in a boycott. And a high percentage of this group tended to be white, middle-to-upper income, more highly educated, and conservative — a profile similar to that of high-

[27] This is an illustrative, not exhaustive, list of products that are likely to be targets of boycotts because they have a strong element of brand identification with France, and tend to be luxury items.

[28] From January-October 2004, a period when total U.S. imports from France were up by 8.52% over January-October 2003, two of the four categories experienced rapid growth with travel goods and handbags up by 18.2%, and cheese and curds up by 22.0%. Perfume and toiletries grew at 6.5%, but wine imports declined by 9.8% over the comparable 2003 level.

income luxury brand buyers of such well recognized French products as Perrier, Evian, Beaujolais, and Lancôme.[29]

In France and Germany, one poll found that two-thirds of college graduates with annual incomes larger than $75,000 surveyed in December 2003 and January 2004, said that they are less likely to buy U.S. products because of the Bush Administration. Yet many U.S. companies such as Ford, Kodak, and McDonald's say there has been no effect on sales as of May 2004.[30]

While there are few signs that goods and services clearly identified with France or the United States are being boycotted, consumer sentiments as expressed in these polls could be warnings of the potential fallout from foreign policy disputes. Nevertheless, a substantial economic backlash appears unlikely due to the high degree of economic integration. Effective boycotts would jeopardize thousands of jobs on both sides of the Atlantic.

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[29] "American Consumers Split Over Substitutions and Boycotts of French," Washington, D.C. April 21, 2003. Fleischman-Hillard International Communications. [http://www.fleishman.com/news/pro41703.html].

[30] Romero, Simon. "War and Abuse Do Little Harm To U.S. Brands," *NYT*, May 9, 2004, p. A1.

Appendix: Trade and Foreign Investment Data

Table A. Top Ten U.S. Trading Partners, 2003
(billions of U.S. dollars)

Country	Trade Turnover (exports and imports)
Canada	394
Mexico	236
China	181
Japan	170
Germany	97
United Kingdom	77
Korea, Republic of	61
Taiwan	49
France	46
Italy	36

Source: U.S. Census Bureau.

Table B. France's Top Trading Partners, 2002
(billions of dollars)

Country	Trade Turnover (exports plus imports)
Germany	113.3
Italy	58.6
United Kingdom	56.6
Belgium	52.9
Spain	51.9
United States	48.3

Source: IMF Directions of Trade.

Table C. Major U.S. Exports to France, 2003

(billions of dollars)

Rank	Harmonized System 2-Digit Description	Value
1	84-Nuclear reactors, boilers, machinery and mechanical appliances such as gas turbines, computers, and office machinery	4.9
2	90-Optical, photographic, and medical instruments	2.0
3	85-Electrical machinery and equipment, such as integrated circuits	1.6
4	88-Aircraft, spacecraft, and parts thereof	1.5
5	29-Organic chemicals, such as hormones and glycosides	1.3
6	30-Pharmaceutical products	1.1
7	38-Miscellaneous chemical products such as laboratory reagents	0.5
8	87-Vehicles and parts	0.4
9	39-Plastics and articles thereof	0.4
10	37-Photographic or cinematographic goods such as photographic film	0.3

Source: U.S. International Trade Commission.

Table D. Major U.S. Imports from France, 2003

(billions of dollars)

Rank	Harmonized System 2-Digit Description	Value
1	84-Nuclear reactors, boilers, machinery and mechanical appliances such as gas turbines, bulldozers, and machinery for working rubber or plastics	4.3
2	88-Aircraft, spacecraft, and parts thereof	4.2
3	30-Pharmaceutical products	2.5
4	22-Beverages, and spirits such as wine and liqueurs	2.1
5	85-Electrical machinery and equipment such as electronic integrated circuits, T.V. equipment and video cameras	2.1
6	29-Organic chemicals such as heterocyclic compounds	1.5
7	97-Works of art, collectors' pieces and antiques	1.4
8	87-Vehicles and parts	1.2
9	90-Optical, photographic, medical or surgical instruments	1.1
10	33-Essential oils, perfumes, and cosmetic preparations	1.1

Source: U.S. International Trade Commission.

Table E. U.S. Total Exports to France by Top 25 States
(millions of dollars)

Rank	State	2001	2002	2003
	All States	19,895	19,018	17,068
1	California	2,241	1,885	1,915
2	New York	1,481	1,317	1,261
3	Connecticut	1,416	1,178	1,095
4	Indiana	669	638	922
5	Texas	1,013	929	905
6	Puerto Rico	615	751	779
7	Ohio	1,448	1,068	768
8	Kentucky	432	795	740
9	Washington	1,252	1,953	684
10	Illinois	709	623	679
11	Massachusetts	865	922	619
12	New Jersey	658	622	602
13	Florida	399	388	397
14	Michigan	371	335	380
15	Pennsylvania	440	369	372
16	Wisconsin	366	341	371
17	North Carolina	348	252	360
18	Georgia	343	338	358
19	Arizona	632	442	350
20	Minnesota	335	353	328
21	South Carolina	261	320	274
22	Colorado	340	282	267
23	Alabama	317	230	221
24	Tennessee	279	241	221
25	Iowa	157	197	204

Source: U.S. Census Bureau.

Table F. Foreign Direct Investment in the United States: Top Five Countries

(billions of dollars)

Direct Investment Position on a Historical Cost Basis					
	1998	**1999**	**2000**	**2001**	**2002**
United Kingdom	137	154	278	269	283
France	60	90	126	148	171
Germany	93	112	122	164	137
Japan	134	154	160	150	152
Netherlands	92	125	139	158	155

Source: Survey of Current Business.

Table G. Employment of French Nonbank U.S. Affiliates, by Top 15 States, 2001

	Total Employment	578,600
Rank	**State**	
1	California	63,600
2	New York	51,000
3	Texas	50,600
4	Illinois	29,600
5	New Jersey	28,400
6	Pennsylvania	26,800
7	Florida	25,800
8	Ohio	23,800
9	South Carolina	19,400
10	Indiana	18,900
11	Massachusetts	18,100
12	North Carolina	16,700
13	Georgia	15,700
14	Michigan	14,100
15	Virginia	14,000

Source: Bureau of Economic Analysis.

Table H. French Foreign Direct Investment in the United States, 1990-2002

Year	No. of French-owned Companies	No. of Employees	Assets (billions $)	Sales (billions $)	Gross Product (billions $)
1990	1,759	338,000	176	82	N/A
1991	1,893	364,900	162	89	N/A
1992	2,327	363,400	273	102	N/A
1993	1,862	359,400	214	97	19
1994	2,124	376,200	211	112	23
1995	2,406	346,000	232	111	24
1996	2,521	420,200	283	132	34
1997	2,239	415,000	328	136	36
1998	2,250	527,500	390	142	37
1999	2,686	614,300	523	170	45
2000	2,986	654,800	484	195	55
2001	2,918	578,600	535	188	40
2002	2,533	514,000	466	163	40

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Note that the new benchmark survey conducted by BEA in 2002 makes the times series data beginning in 2002 less comparable than before.

Table I. U.S. Foreign Direct Investment in France, 1990-2001

Year	No. of U.S.-owned Companies	No. of Employees	Assets (billions $)	Sales (billions $)
1990	1,026	419,700	78	102
1991	1,052	439,300	83	103
1992	1,067	404,800	89	104
1993	1,072	400,300	82	99
1994	1,262	397,800	133	107
1995	1,228	416,000	141	125
1996	1,270	448,800	146	136
1997	1,299	464,400	150	130
1998	1,260	492,300	168	139
1999	1,269	575,300	205	144
2000	1,256	589,300	187	138
2001	1,286	578,300	191	135
2002	1,314	583,200	213	139

Source: U.S. Department of Commerce, Bureau of Economic Analysis.