

Global trade

Macron says US climate law risks 'fragmenting the west'

French president's harsh words come as he begins state visit to Washington where he will meet Joe Biden



Emmanuel Macron delivers remarks at the French embassy in Washington © AFP/Getty Images

Leila Abboud in Washington YESTERDAY

Emmanuel Macron warned that the US risked “fragmenting the west” with a flagship climate law that the French president said would distort competition by massively subsidising American companies to the detriment of European industries.

The harsh words, which came on the first day of his [state visit](#) to Washington hosted by president Joe Biden, could weigh on the discussions between the leaders on Thursday.

In a speech on Wednesday night at the French embassy in Washington, Macron said while he agreed with the objectives of Biden’s Inflation Reduction Act, it would have [negative repercussions](#) for Europe by making it less attractive for companies to invest there.

“The choices of the past few months, in particular the IRA, are choices that will fragment the west,” he said. “We need to co-ordinate and re-synchronise our policy agendas.”

The law offers roughly \$400bn worth of incentives to finance the transition to [green energy](#), including subsidies for electric cars manufactured in the US and tax credits to promote industries such as renewable energy and batteries.

Earlier in the day at a closed-door lunch held at Congress with executives and lawmakers, [Macron](#) called the IRA “super aggressive for our companies”, according to comments reported by Agence France-Presse and confirmed by a person present.

“Perhaps this law will solve your problems but it will make mine worse,” he said, adding that many jobs would be destroyed.

French officials said discussions were under way with their US counterparts about possible remedies that would help avoid competitive distortions in green industries such as electric cars and renewable energy. One option would be for the US to add the EU to the list of countries whose products can qualify for subsidies, similar to how Mexico and Canada are treated because of existing trade agreements, the officials said.

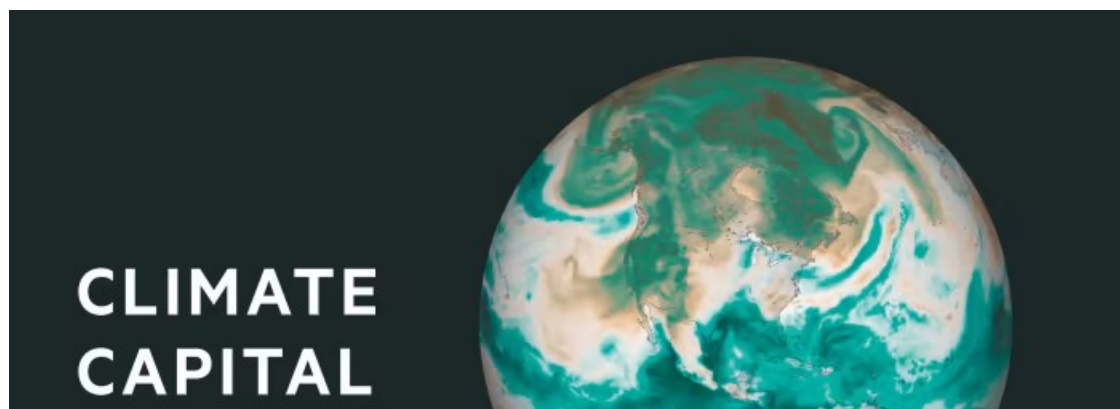
Macron has also called on the EU to pass a so-called “Buy European Act” that would offer similar subsidies to local industries. Other countries such as Germany are less supportive of the idea.

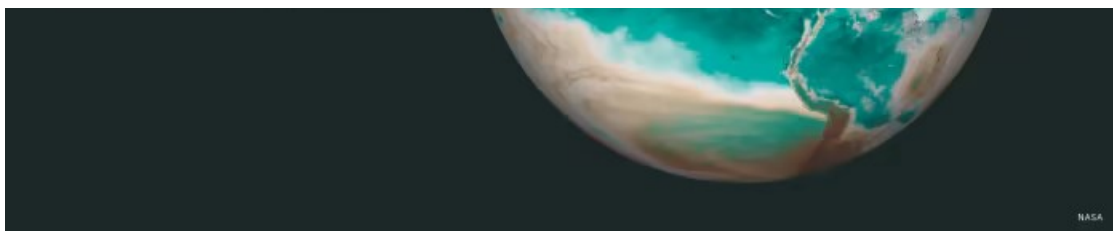
The Biden administration has defended the IRA as necessary to boost the electric cars sector and further the fight against climate change in the US, and has called on Europe to come up with its own subsidy regime in response.

On Tuesday, John Kirby, a spokesman for the National Security Council, told reporters travelling with Macron that there have already been “very productive discussions” on the IRA and that “the team here is exploring options”. He declined to say whether concrete proposals would be made during the visit, but added that the US has a task force with the EU on the matter, which would continue discussions.

On Thursday, Biden and Macron will meet for talks in the morning before a joint press conference, followed by a state dinner in the evening.

Climate Capital





Where climate change meets business, markets and politics. [Explore the FT's coverage here.](#)

Are you curious about the FT's environmental sustainability commitments? [Find out more about our science-based targets here](#)

[Copyright](#) The Financial Times Limited 2022. All rights reserved.
