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WORLD EUROPE

Ukraine War's Economic Ripples Sow Discord Between Washington, Allies

French president's state visit to the U.S. will likely focus on trade and geopolitical concerns



French President Emmanuel Macron, shaking hands with President Biden alongside German Chancellor Olaf Scholz, has sought to cast himself as a mediator over the war in Ukraine.

PHOTO: G-20 MEDIA CENTER/VIA REUTERS

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WASHINGTON—Trans-Atlantic ties are starting to fray as French President Emmanuel Macron and other European leaders chafe at new U.S. policies they say compound economic woes fueled by the war in Ukraine and the resulting energy crisis.

Russia's war in Ukraine has reinvigorated the North Atlantic Treaty Organization and ignited a boom in trade and investment between the U.S. and Europe. But after nearly a year of unity as the U.S. and its allies confronted the fallout from Russian President Vladimir Putin's invasion of Ukraine, European officials are starting to express frustration at their increasing reliance on Washington for security and economic stability.

The U.S. has stepped in to help replace Russia as one of the continent's biggest natural-gas purveyors, but its shipments of liquefied natural gas have come with

much higher prices, straining Europe's manufacturing base. Europe also needs Washington's support to bolster its defenses and avoid direct confrontation with Russia—an escalation that would leave Europe on the front lines.

The economic and geopolitical concerns are expected to top the agenda when Mr. Macron arrives in Washington late Tuesday at the start of a four-day official state visit, the first by a foreign leader since President Biden's election.

Mr. Macron plans to press the president on reducing the risk of a wider conflict between Russia and the West over Ukraine, French officials said. The French leader wants to find a way of ending the war around the negotiation table, not the battlefield, a French official said, adding that it is up to Ukraine to decide when and how to negotiate with the Russians.

Mr. Biden has sought to avoid the perception that he is pressuring Ukrainian President Volodymyr Zelensky to negotiate an end to the war, repeating a mantra often echoed by White House officials: "Nothing about Ukraine without Ukraine."

U.S. officials said the president has a close relationship with Mr. Macron, despite the disagreements between the two countries. Mr. Biden chose France for his first state visit to underscore the importance of the U.S.'s ties with its oldest ally, officials said.

Mr. Macron considers the Inflation Reduction Act, which is set to come into effect in January, a threat to European industry, according to French officials. The law includes massive subsidies and tax credits for products made using parts from North America and assembled there.

European officials say the measures, known as domestic content requirements, penalize many European-made products like batteries and electric cars that don't qualify for the tax credits. French officials worry that manufacturers stung by Europe's high energy prices are starting to think about shifting production to the U.S. to reap the subsidies on top of cheaper fuel supplies.

The new U.S. law "could trigger a wave of deindustrialization in Europe," said Sébastien Jean, an economics professor at the Conservatoire National des Arts et Métiers, a Paris-based university and research center.

Mr. Macron plans to ask Mr. Biden for exemptions to the domestic content requirements for European companies, comparable to those granted to firms from Canada and Mexico, French officials said.

White House officials acknowledged that the issue is likely to be a major topic in the two presidents' discussions, but said they don't expect the dispute to be resolved during the visit. The U.S. is committed to ensuring the continent has a stable supply of energy this winter and beyond, officials said.

"We want to understand the concerns. We're absolutely willing to have that conversation and to find a way to work through those issues of concern," said John Kirby, the National Security Council's coordinator for strategic communications. "But it's not a zero-sum game."

Last week, Mr. Macron hosted a dinner at the Élysée presidential palace for dozens of executives from companies including German car maker Bayerische Motoren Werke AG, U.K. drugmaker AstraZeneca PLC and French industrial gases producer Air Liquide SA, asking them not to move production to the U.S.

Spokespeople for BMW, AstraZeneca and Air Liquide didn't respond to requests for comment.

Mr. Macron has been calling for a coordinated European response to the U.S. law. French officials said they want the EU to offer its own tax credits to help counter the IRA's appeal to European firms. European trade ministers met in Brussels Friday to discuss the new U.S. law.

"We need a Buy European Act like the Americans," Mr. Macron said last month. "You have China protecting its industry, the United States protecting its industry, and Europe is an open house."

This fall, U.S. and EU officials established a joint task force to discuss the U.S. law. On Monday, the U.S.-EU Trade and Technology Council is expected to meet in Washington to take stock of the state of the discussions. A U.S. official said the task force has been a productive forum to hear concerns from European officials about the subsidies.

Messrs. Macron and Biden are also expected to discuss Western military support

for Ukraine, French officials said. France has stepped up military support to Kyiv in recent months, under pressure from the U.S. and other Western allies. France said this month that it sent two Crotale air-defense systems and two multiple-launch rocket systems to Ukraine.

The explosion of a stray air-defense missile in Poland earlier this month offered an unsettling reminder of how close Russia's war in Ukraine is to NATO territory, and with that the risk of confrontation between nuclear powers.

U.S. national-security adviser Jake Sullivan has engaged in recent months in confidential conversations with top aides to Mr. Putin to warn Moscow against using nuclear or other weapons of mass destruction and keep communications channels open, according to U.S. and allied countries' officials.

Mr. Macron has sought to cast himself as a mediator over the war in Ukraine. Weeks before Russia's invasion, he positioned himself as the West's main interlocutor with Mr. Putin and tried to set up a meeting between Mr. Biden and the Russian leader.

His efforts were eventually flattened by Mr. Putin's determination to go to war. But Mr. Macron continued to hold regular phone calls with Mr. Putin, frustrating some leaders in Eastern Europe, who view the French leader as too soft on the Russian leader.

Earlier this month, Mr. Macron called on China to play a bigger role in talks with Moscow after a meeting with Chinese President Xi Jinping on the sidelines of the G-20 summit in Bali, Indonesia.

Mr. Macron told Mr. Xi that China has a responsibility in the maintenance of peace and security, as a permanent member of the Security Council, according to French officials. Mr. Macron has said he plans to travel to China early next year.

U.S. officials said they expect China will be a major topic of discussion between Messrs. Macron and Biden this week.

"Europe has its own interests. Our views on China are not identical. But I think there is a strong view that we should be speaking from a common script in response to China, and I think on all of the big issues we are," a senior Biden administration official said

ADMINISTRATION OFFICIALS SAID.

Mr. Macron's visit marks a return to traditional diplomatic activities for Mr. Biden, who limited meetings with foreign leaders during the coronavirus pandemic. It also signals a recovery in relations between Paris and Washington after a low point last year, when the U.S. pushed France out of a multibillion-dollar contract to supply submarines.

This is the second state visit to Washington by the French president. In 2018, Mr. Macron was also the first world leader to be invited for a state dinner by President Donald Trump. Mr. Macron won a second five-year term as France's president in April and will return for his second state visit surrounded by a new administration.

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