

# France demands end to trade talks with US amid rising US-EU tensions

V. Gnana, Alex Lantier  
31 August 2016

Deep economic tensions between the United States and Europe erupted to the surface yesterday, as Paris demanded a cutoff of trade talks between the US and the European Union (EU), and the EU demanded that US tech giant Apple pay billions in back taxes.

Two days after German Vice Chancellor Sigmar Gabriel criticized the Transatlantic Trade and Investment Partnership (TTIP), French officials called for suspending talks on Washington's flagship free-trade deal with Europe, bitterly attacking US negotiating tactics.

French President François Hollande said he saw no prospect of concluding the talks. He declared, "The current discussions on the treaty between Europe and the United States will not be able to reach a conclusion before the end of the year. France prefers to speak frankly on the situation and not to cultivate illusions that it will be possible to reach an agreement before the end of the American president's term... The negotiations are bogged down, positions have not been respected; it's clearly unbalanced."

"There is no more political support in France for these negotiations," French Minister for External Trade Matthias Fekl told RMC. "The Americans are giving nothing or just crumbs... That is not how one negotiates with an ally."

"Relations are not where they should be between Europe and the United States; we will have to resume talks later on the right basis," he added. "We have to put a clear and definitive end to these negotiations in order to resume talks on the right basis."

As Hollande and Fekl spoke, the EU announced it would fine Apple up to €13 billion (US\$14.5 billion) for failing to pay taxes at its European corporate headquarters in Ireland, prompting angry reactions from US officials and the US Treasury. Apple and

Ireland have said that they will appeal.

The EU Commission accused Ireland of illegally letting Apple shelter tens of billions of dollars in profits from taxation, in return for keeping jobs in Ireland. Though Ireland's corporate tax rate is 12.5 percent, Apple allegedly paid a 1 percent tax rate in 2003 and 0.005 percent in 2014.

There is little doubt that Apple is involved in the large-scale tax evasion that is typical of the entire international financial aristocracy, as revealed recently in the Panama Papers. It has amassed a cash hoard of over \$230 billion and dodged US taxes on an estimated \$181 billion in profits. What is driving the EU ruling, however, is not fiscal rectitude—European firms are also very familiar with Europe's multiple tax havens, including Ireland, Luxembourg, and Switzerland—but growing US-EU tensions.

The US Treasury said the Apple ruling could damage "the important spirit of economic partnership between the US and the EU."

Calling the EU ruling "just the tip of the spear—an enormously important ruling," Peter Kenny of Global Markets Advisory Group told the British *Guardian* that the Apple ruling could affect many US corporations that headquarter key operations in Europe to avoid US taxes. He said, "There's no telling whether the verdict will stand on appeal, but we know that the landscape is changing for US corporations in the EU."

Powerful inter-imperialist rivalries rooted in the structure of international capitalism itself, which twice in the last century erupted into world wars, are reemerging. Nearly a decade after the outbreak of the US subprime mortgage crisis and the ensuing 2008 global economic collapse, there are no prospects for a real economic recovery. With Europe beset by stagnation, mass unemployment and a wave of banking

crises now centered in Italy, the European bourgeoisie is increasingly unable to negotiate a deal with the American ruling class on how to divide the profits.

The joint US-EU war drive, though it masked for a time the underlying economic contradictions between the Washington and the European powers, increasingly intensifies rather than suppresses trans-Atlantic conflicts.

After Obama received the Nobel Peace Prize in Norway in 2009, the European powers embarked on joint interventions with the US: wars for regime change in Libya and Syria, a war in Mali, and the toppling of a Russian-backed government in Ukraine. Though EU countries did not have the means to aggressively participate in the US “pivot to Asia” against China, the EU initially gave no indication of hostility to it.

As the war drive escalated into a confrontation with Russia and China, however, economic tensions over the war drive increasingly emerged between the United States and the EU. EU sanctions against Russia demanded by Washington cut across tens of billions of euros’ worth in EU-Russia trade, and last year, the major EU powers defied Washington’s demands that they not join China’s Asian Infrastructure Investment Bank (AIIB).

Conflicts over ties with Russia and China could cost corporations in France alone tens of billions of euros. After the sanctions on Russia forced Total to refinance its Russian oil and gas operations last year, resorting to Chinese funding, this year *Électricité de France* faced a sudden decision by the British government to halt a Franco-Chinese project for a nuclear plant at Hinkley Point.

Such conflicts are now intensifying, amid uncertainty over the outcome of the US presidential elections in November, and in the wake of Britain’s vote in June to exit the EU.

The Brexit vote removed Washington’s closest major ally inside the EU from the TTIP talks. Gary Hufbauer of the Peterson Institute for International Economics told Reuters, “In my view, TTIP is either dormant or dead in the wake of Brexit.”

Economic conflicts between Washington and London on the one hand, and a German-dominated EU on the other, are now increasingly becoming entwined with bitter diplomatic and even military rivalries. After Brexit, the French and Italian governments and forces

around Gabriel in Berlin called for punishing Britain by denying it access to EU markets, and also developing foreign policies and defense industries that are more independent from Washington.

Significantly, the forces that have called for a hard line on Brexit and a more independent EU foreign and military policy are also those that are insisting that talks on the TTIP have failed.

Gabriel was the first top official to publicly state this weekend that the TTIP talks were in trouble, saying that Washington and the EU had not agreed on a single item in the 27 TTIP chapters being discussed, after 14 rounds of talks. He said, “in my opinion, the negotiations with the United States have de facto failed, even though nobody is really admitting it... The US has balked at accepting minimum EU standards in the talks, and unless that stance changes, I can’t see that it’s possible to seal the accord.”

Italian officials also expressed their pessimism on the TTIP talks. Last month, Italian Economic Development Minister Carlo Calenda told *Il Corriere della Sera*: “the [TTIP] talks will take more time than originally expected... it would be difficult to reach a deal before US President Barack Obama leaves office at the end of the year.”

In these same circles, there are continuing calls for taking a harsh line to crush Britain economically and force it into a subordinate position to the EU within Europe. Gabriel said that the EU should not “allow Britain to keep the nice things, so to speak, related to Europe while taking no responsibility.”

These sentiments were echoed in Stefan Kornelius’ column yesterday in Germany’s *Sueddeutsche Zeitung*: “So why not make an example of Britain, even if it is for egotistical reasons? ... Harshness against London will show the wisdom of the old schoolyard rule that it is wiser to stand with the strongest. And the EU is stronger, there is no question about it. That is why its sense of dominance is stirring.”



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