

## How realistic are France's ambitions for leadership?

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Since the beginning of 2024, France has somewhat unexpectedly stood out among the founding members of the EU and NATO with rhetoric clearly aimed at supporting Ukraine's victory in its war against Russia and providing Ukraine with all possible assistance in its intentions to join the EU and NATO. On 27 February 2024, French President Emmanuel Macron even suggested that Western countries might have to send their troops to Ukraine, causing disapproval from Germany and the United States. While the French leadership then had to clarify that they did not intend for Western involvement in the fighting in Ukraine, President Macron's remark did spark reactions from the Western world, China, and Russia, showing France's desire to strengthen its global role.

Although the French president's rhetoric may be well ahead of reality, critics of Macron's position cannot deny that, at least since the beginning of the year, Paris has indeed become more active in countering Russian aggression, in building a new Euro-Atlantic security model with a much stronger role for Europe, and in consolidating European democratic forces against the obvious rise of right-wing radical influences, such as the National Rally led by Marine Le Pen in France.

In these settings, there is a noticeable intensification of Ukrainian-French contacts, which is certainly a positive development. France's current position for Ukrainians is obviously more attractive and meaningful. However, as international commentators rightly point out, the real picture does not always match Paris's rhetoric, as President Macron lacks domestic and foreign support, particularly within the EU and NATO. Therefore, relying solely on favourable rhetoric is hardly advisable.

**A "perfect storm" for the renewal of the European Union.** Two years of Russia's full-scale aggression have demonstrated the high volatility of the modern world order, causing numerous and striking and often previously unimaginable changes in world politics and the global economy.

European governments have been lulled by NATO's dependability and the unlikelihood of a large-scale war in Europe. However, the Russian aggression and Ukraine's courageous struggle proved to be a "perfect storm" for the European Union, exposing the shortcomings of its peace strategy and making it realise the need to strengthen its security system and increase investment in defence (EU and NATO). At the same time, institutional contradictions, with one country being able to block much-needed and urgent decisions to strengthen hard power capabilities and provide military assistance to partners, have called into question NATO's ability to act as a guarantor of peace.<sup>1</sup>

With the outbreak of the war in Ukraine, the special role of the United States in defending the democratic world became apparent, particularly in consolidating other peace-loving nations around the assistance to Ukraine.<sup>2</sup> The weakening of the US position in the year of its presidential elections, although unexpected and inappropriate (as "helping as much as it takes" proved problematic), accelerated the European countries coming together to support Ukraine. Moreover, the United States' certain detachment has made the leading European countries reconsider their approach to European development, update the targets of "strategic autonomy", understand the unity of prospects of the Ukraine war and ensuring the security of democratic Europe.<sup>3</sup>

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<sup>1</sup> Raik K., et al. Tackling the Constraints on EU Foreign Policy towards Ukraine: From Strategic Denial to Geopolitical Awakening. – <https://www.ceps.eu/ceps-publications/tackling-the-constraints-on-eu-foreign-policy-towards-ukraine/>.

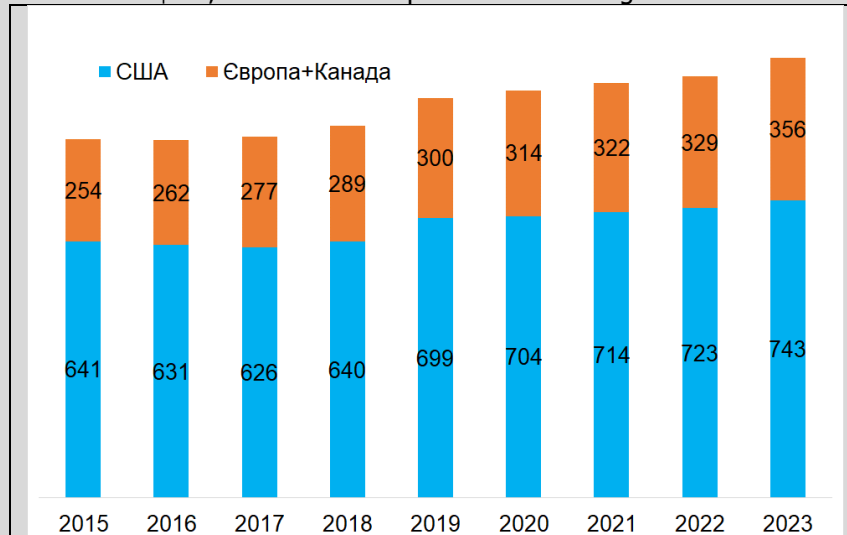
<sup>2</sup> Carnegie Experts on the Ukraine War's Long Shadow. – <https://carnegieendowment.org/2023/02/23/>.

<sup>3</sup> The Razumkov Centre has repeatedly addressed such issues in previous publications. See, in particular: Economic freedom to strengthen Ukraine's social and economic development in the context of global transformations (2020); Geopolitical and geoeconomic changes shaped by Russian aggression and renewal of the place of Ukraine in the world (2022); Socio-economic and humanitarian consequences of Russian aggression for Ukrainian society (2022); Political, economic and structural consequences of Russian aggression for Ukraine and the international community. Challenges of Ukraine's economic recovery in the post-war period in view of European integration priorities (2023). These and other publications are freely available on the Razumkov Centre's website, <https://razumkov.org.ua>.

## FINANCING NATO'S DEFENCE NEEDS

NATO countries have committed to spend at least 2% of their GDP annually on defence to ensure the Alliance's military readiness and deter any potential attacks. As this is not a statutory requirement, some member states have openly disregarded it,<sup>4</sup> expecting the lion's share of US funding (about 70%) to continue (Figure "Total NATO defence expenditure").

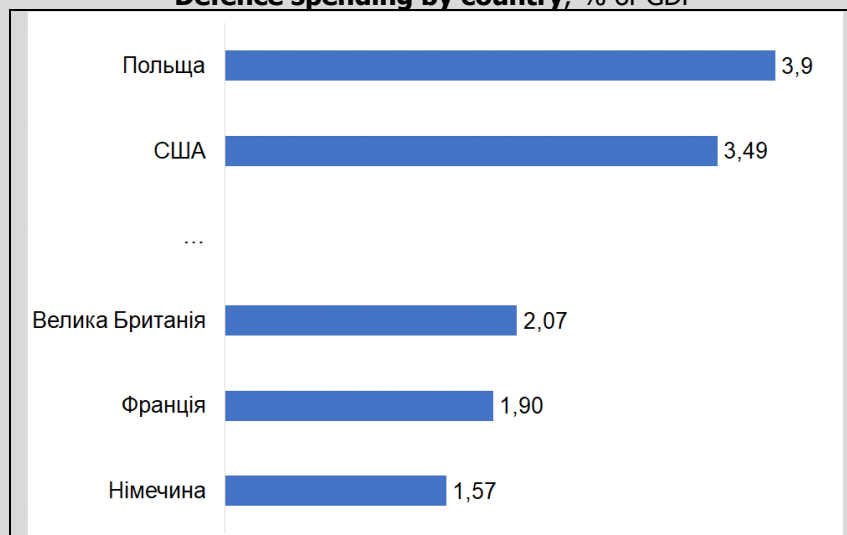
**Total NATO defence expenditure,**  
\$ bn, based on 2015 prices and exchange rates



Some increase in expenditure occurred after Russia's first invasion of Ukraine in 2024 (Crimea and Donbas). At that time, only three Allies met the 2% criterion. And in 2022 (after the invasion), defence spending did increase in several countries.

Most of the countries that spent beyond the 2% mark either share a border with Russia or sit near the front lines of the Ukraine war.<sup>5</sup> For example, Poland spent a greater share of its GDP on defence in 2023 than any other member state, at 3.9%. The United States ranked second, at 3.49% (Figure "Defence spending by country") but is an attainable leader in absolute terms of funding.

**Defence spending by country, % of GDP**



Ukraine's courageous resistance to the Russian aggressor has critically affected the worldview of Europeans themselves, in particular:

<sup>4</sup> Hawkins D. See which NATO countries spend less than 2% of their GDP on defense. – <https://www.washingtonpost.com/politics/2024/02/12/nato-countries-defense-spending-gdp-trump/>.

<sup>5</sup> Ibid.

- weakened the positions of forces that insisted on the need for Europe's peaceful coexistence with authoritarian countries, as well as the development of Europe with due regard for Russia's interests;
- made practical implementation of the principles of European security particularly relevant, which manifested itself in an increase in security and defence spending;
- strengthened the position and influence of Central and Eastern European countries, which had much better understanding of the risks of "soft" relations with Russia.

Security and defence issues, particularly in financing NATO's needs, have become even more relevant for Europeans, especially after Donald Trump's warning of the risk to individual countries if they fail to fulfil the 2% defence funding commitment (Box "*Financing NATO's defence needs*").

**In pursuit of European leadership.** At the beginning of 2024, many experts, us included, expressed the belief that Germany would confidently become a European leader in helping Ukraine.<sup>6</sup> However, German Chancellor Olaf Scholz's reluctance to take the initiative after the United States' political crisis and agree to deliver powerful offensive weapons to Ukraine has reinforced doubts at home and abroad about the seriousness of Germany's turnaround, the so-called *Zeitenwende*.<sup>7</sup>

Meanwhile, although somewhat unexpectedly, France has been increasingly claiming a central role in shaping a renewed Europe. While France currently provides weapons and training to the Ukrainian military, President Macron believes that more decisive steps and actions are necessary to protect the European Union and ensure Ukraine's victory. This shift in emphasis is likely due to ideological, security, and economic circumstances.

Ideologically, Macron has long championed the concept of European "independence", or, rather, "strategic autonomy", which, according to a wide range of experts, could equally strengthen the EU and potentially weaken European security and defence.<sup>8</sup> It is worth recalling that Macron has been advocating the European Strategic Autonomy project since the first days of his presidency, when he first outlined this concept in his Sorbonne speech in 2017 and called on Europeans to do more in areas such as security and defence, climate protection, industry and technology.<sup>9</sup> However, this project was not given serious consideration at the European level due to the conformist stance of Germany's then-Chancellor Angela Merkel.<sup>10</sup>

In the 2010s, when Russia's imperial encroachments were already obvious, Germany, even after the first invasion of Ukraine in 2014, insisted on avoiding further provocation of Russia, while Chancellor Merkel encouraged the signing of the so-called "Minsk agreements"<sup>11</sup> that were awfully humiliating for Ukraine. Germany's then-Foreign Minister Frank-Walter Steinmeier proposed holding elections in the occupied part of Donbas not waiting for de-occupation (the "Steinmeier formula"). Although, in fairness, the position of the French leadership at that time was not much different from the German one. The rhetoric of the current German Chancellor Scholz and other German leaders remains quite cautious, while Berlin's real actions and decisions as one of the "engines" of the European machine still do not fully meet Ukraine's war needs and lack prospects for a united Europe.

If this position were to become outright dominant, it could cause irreparable damage to the European security system. This was prevented by President Macron, who is "in the right place at the right time", trying to seize the opportunity to make his France the leading state of a sovereign EU.<sup>12</sup> Macron's position is particularly important as trust in the United States and its commitment to democratic values has been eroded due to prolonged discussions on supporting Ukraine, which ultimately led to some Russian gains in the war. Serious chances of Donald Trump's victory in the US presidential race only add to this downward trend and fuel

<sup>6</sup> Germany of the way to regaining its leadership / Kyiv, Razumkov Centre, 2024 – <https://razumkov.org.ua/images/2024/02/29/2024-PAKT-ENGL-3NNN.pdf>

<sup>7</sup> Ross J. France's Pivot to Europe. – <https://ip-quarterly.com/en/frances-pivot-europe>.

<sup>8</sup> The EU's Rise as a Defense Technological Power: From Strategic Autonomy to Technological Sovereignty. – <https://carnegieeurope.eu/2021/08/12/eu-s-rise-as-defense-technological-power-from-strategic-autonomy-to-technological-sovereignty-pub-85134>

<sup>9</sup> G. Weber, Communication a la Macron – <https://www.ips-journal.eu/topics/foreign-and-security-policy/communication-a-la-macron-6638/>

<sup>10</sup> A. Lazareva A, "Europe's Strategic Autonomy": where Macron is wrong and why it can be ignored (for now) – <https://tyzhden.ua/stratehichna-avtonomiia-ievropy-v-chomu-pomyliaetsia-makron-i-chomu-na-tse-poky-shcho-mozhna-ne-zvazhaty/> (in Ukrainian)

<sup>11</sup> This refers to the Protocol and Memorandum on the Implementation of its provisions, signed in Minsk in September 2014, and the Package of Measures for the Implementation of the Minsk Protocol, signed in February 2015, following Ukraine's heavy losses in the Ilovaik and Debaltseve entrapments.

<sup>12</sup> Ross J. France's Pivot to Europe. – <https://ip-quarterly.com/en/frances-pivot-europe>.

European political movements that exploit the anti-American sentiment in large parts of the EU population. The EU needs to acknowledge that if the US withdraws its support for Ukraine (although the parties declared the relationship as a strategic partnership), Europe will lose any confidence that America will not stop supporting it in the event of expanded Russian aggression.

Importantly, President Macron's current security vision is shaped by recent crises, from COVID-19 to the Ukraine war, which have exposed Europe's vulnerabilities in terms of energy, strategic resources and critical technologies.<sup>13</sup> For Europe, these risks become significant, as the growth and development of nations will increasingly rely on innovation and technological advancements, led by the United States and China, and their gap with other countries consistently widening. This, in turn, will acquire socio-political features.<sup>14</sup> Consequently, political and technological leadership will become interrelated, reinforcing each other, and failure to keep up with the ever-changing challenges of the globalised world increase the risks for countries to be pushed to the margins.

Meanwhile, the risks associated with "strategic independence" are becoming increasingly confusing, as economic interdependence, which expanded rapidly with globalisation in the 1990s, has now become a challenge to economic security, including through economic blackmail.<sup>15</sup> For example, with Russia's invasion in Ukraine it became clear that Europe's dependency on gas, oil, coal and uranium imports from Russia were not a theoretical issue – but a dramatic strategic liability. Russia tried to exploit Europe's dependency on gas imports by dramatically reducing its exports and conditioning the remaining flows on political concessions.<sup>16</sup>

Moreover, given the economic policy contradictions in terms of international trade and investment, migration and financial flows, the EU lacks an adequate institutional framework to respond to new protectionism of the United States, if it opts to return to *America first*, or to the growing threats of Chinese trade expansion.<sup>17</sup>

It turns out that renewed approach to countering Russian aggression and supporting Ukraine is almost the only strong argument in favour of France's leadership.

**Transformation of Macron's rhetoric.** Throughout the entire period of Russia-Ukraine confrontation, France has played a prominent "peacekeeping" role. For example, Paris initiated the so-called Normandy format<sup>18</sup> to discuss the war and find ways to stop it. However, this role has often not aligned with Ukraine's interests. For example, already during the large-scale invasion, President Macron has advocated for resolving the conflict through negotiations, which would have given "security guarantees" to Russia. He has also supported a dialogue between all parties involved in the "conflict", both directly and indirectly, arguing that Russia should not be humiliated and that there were no factors that would result in the war between France and Russia. Even after President Macron's famous statement about the possibility of sending Western troops to Ukraine, French Defence Minister Sébastien Lecornu tried to talk to his Russian counterpart Sergei Shoigu before expressing doubts about the effectiveness of such dialogue.<sup>19</sup>

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<sup>13</sup> Macron Advocates for a 'Sovereign' Europe, Stresses Defence and Clean Energy Cooperation. – <https://www.weforum.org/press/2024/01/macron-advocates-for-a-sovereign-europe-stresses-defence-and-clean-energy-cooperation/>

<sup>14</sup> Fabry E. Europe's response to the Sino-American rivalry. – <https://institutdelors.eu/en/publications/comment-leurope-repond-a-la-rivalite-sino-americaine/>

<sup>15</sup> With the COVID pandemic we [Europe] have already been exposed to risks, and thus the political and social costs, related to strategic dependencies on the foreign supply of imports into the EU, and the problem of the concentration of production in some countries – Fabry E. Building the strategic autonomy of Europe while global decoupling trends accelerate, <https://institutdelors.eu/en/publications/en-building-the-strategic-autonomy-of-europe-while-global-decoupling-trends-accelerate/>

<sup>16</sup> Altomonte C., Villafranca A. EU Economy: Fit for the Future? – <https://www.ispionline.it/wp-content/uploads/2023/02/Policy-Paper-2023-EU-ECONOMY-3.pdf>

<sup>17</sup> Arancha González Laya, et al. Trump-Proofing Europe. – [https://www.foreignaffairs.com/usa/trump-proofing-europe?utm\\_medium=newsletters&utm\\_source=twofa&utm\\_campaign=Israel's%20Self-Destruction&utm\\_content=20240209&utm\\_term=FA%20This%20Week%20-%20112017](https://www.foreignaffairs.com/usa/trump-proofing-europe?utm_medium=newsletters&utm_source=twofa&utm_campaign=Israel's%20Self-Destruction&utm_content=20240209&utm_term=FA%20This%20Week%20-%20112017).

<sup>18</sup> The Normandy Four format was launched on 6 June 2014 with a meeting in Benouville, Normandy, France, between President-elect Poroshenko, French President Hollande, German Chancellor Merkel and Russia's Putin.

<sup>19</sup> Talks with Russian officials are no longer in France's interest – Séjourne. Ukrinform, <https://www.ukrinform.ua/rubric-world/3850044-rozmovi-z-rosijskimi-oficijnimi-osobami-bilse-ne-v-interesah-francii-sezurne.html> (in Ukrainian)

Moreover, France's rhetoric was accompanied by practical policy measures. Despite joining international sanctions, France remains one of the leading foreign investors in Russia. France is at the forefront of calls for greater restrictions on agricultural imports from Ukraine but will not support an embargo on imports of agricultural products from Russia, as proposed by Poland. And in terms of military aid to Ukraine, France ranks only in the second ten, despite being one of the world's largest arms exporters.<sup>20</sup>

The change in rhetoric towards Ukraine may also be influenced by changes in the domestic political environment, particularly on the eve of the European elections. For example, in early March, Macron's main opponent Marine Le Pen, who was previously seen as an unconditional supporter of Russia,<sup>21</sup> made a statement in support of Ukraine and condemned the aggressor – potentially Le Pen's opportunistic pre-election move. However, Macron is compelled to step up his bellicose rhetoric as public support for Ukraine remains strong in the West.

It remains to be seen how lasting and effective Macron's actions and intentions will be, and how much they will be supported by Ukraine's allies and partners. While some countries like the Baltic states, Poland, and the Czech Republic welcome Macron's shift towards a more realistic vision of the threats posed by Russia, others, like German Chancellor, express concern about the renewed Gallic "bellicose spirit".<sup>22</sup> One sensitive area of disagreement is the timing of Ukraine's potential NATO membership, with some countries, including the Baltic states, Poland, and France, pushing for an official invitation to be issued at the upcoming summit in July, while Germany takes the opposite position.<sup>23</sup>

As a result, there are significant differences between the leading European nations, with France accusing Germany of delaying assistance to Ukraine and of deliberate focusing on the United States (that is, providing weapons to Ukraine only after appropriate steps taken by the US). Germany, on the other hand, accuses France of reckless bellicosity and inconsistency in providing aid (the French are actually far behind in supplying weapons to Ukraine compared to the Germans).

**The peculiarities of the political situation.** Unlike US President Joe Biden and British Prime Minister Rishi Sunak, President Macron does not face immediate election pressures as he was re-elected in 2022 and his term ends in 2027, while not being eligible for another term. Moreover, he has a strong influence on both houses of parliament and the government.

However, domestically, the political situation is quite challenging for Macron. A recent Ipsos poll reveals that French citizens are much more concerned about the decline in their purchasing power, social security, immigration, and environmental protection than they are about the war in Ukraine (only one in four people views international crises as a problem for them). Only 29% of citizens support Macron's policies, while 65% do not, with dissatisfaction increasing steadily.<sup>24</sup>

Adding to Macron's challenges, the right-wing radical Marine Le Pen's anti-European rhetoric has gained traction since the election. Le Pen's party, Rassemblement Nationale (the National Rally), is expected to win the majority of votes in the upcoming June elections for the European Parliament.<sup>25</sup>

The problem of Le Pen became an irritant not only for Macron. The threat of her victory in the national elections and the ensuing revision of the policy course prompted France's key political forces to coordinate their efforts despite the electoral competition. Thus, eight political forces of different ideologies, including Macron's Renaissance, socialists and environmentalists, signed the Charter of Solidarity and Support for Ukraine, calling for the creation of a €100 billion defence fund; provision of artillery, medium and long-range missiles, aircraft, and the necessary ammunition; seizure of Russian assets in favour of Ukraine; a ban on imports of oil, gas,

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<sup>20</sup> Dupuis O. President Macron's Ukrainian arithmetic. – <https://lithuaniatribune.com/president-macrons-ukrainian-arithmetic/>

<sup>21</sup> "Putin's friend" Le Pen criticises Russia's war against Ukraine. – <https://www.pravda.com.ua/eng/news/2024/03/14/7446404/>

<sup>22</sup> Hugh Scofield, Macron switches from dove to hawk on Russia's invasion of Ukraine – <https://www.bbc.com/news/world-europe-68575251>

<sup>23</sup> Daalder I., et al. What Ukraine Needs From NATO? Advanced Weapons—and Clarity on What Membership Will Require. – [https://www.foreignaffairs.com/ukraine/what-ukraine-needs-nato?utm\\_medium=newsletters&utm\\_source=twofa&utm\\_campaign=China's%20Economic%20Collision%20Course&utm\\_content=20240329&utm\\_term=FA%20This%20Week%20-%20112017](https://www.foreignaffairs.com/ukraine/what-ukraine-needs-nato?utm_medium=newsletters&utm_source=twofa&utm_campaign=China's%20Economic%20Collision%20Course&utm_content=20240329&utm_term=FA%20This%20Week%20-%20112017)

<sup>24</sup> Baromètre politique Ipsos-La Tribune Dimanche - Avril 2024. – <https://www.ipsos.com/fr-fr/barometre-politique-ipsos-la-tribune-dimanche>.

<sup>25</sup> Ibid.

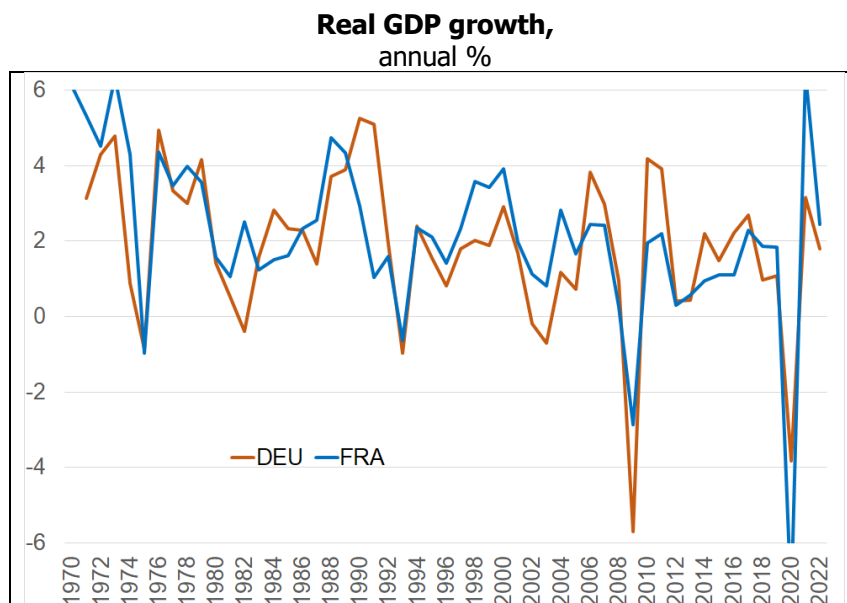
and uranium from Russia; efforts to counter Russian disinformation; and promotion of Ukraine's recovery and post-war transformation.

It is worth noting that Macron's suggestion of sending Western troops to Ukraine is expectedly unpopular in French society, but there is one rather interesting point: a survey conducted in December 2023<sup>26</sup> (that is, well before Macron's controversial statement) revealed that more than half of young French supported intervening in the war in Ukraine if it was in the interest of French defence. Therefore, it can be assumed that Macron is relying on the opinions of young people, and since he no longer needs electoral points, he wants to show himself as a bold and decisive leader.

In this context, it is worth adding that during the recent Iranian attack on Israel, France participated in repelling it despite the potential backlash due to the country's growing Muslim population.

Another political aspect deserves attention. The president's party has announced the establishment of a new alliance called New Europeans (founded in March 2024), which aims to unite all liberal forces in the European Union after the elections.<sup>27</sup> The success of this political project remains unclear, but the intention to create it underscores Macron's aspirations for pan-European leadership, despite the current political turbulence in France and strained relations with Chancellor Scholz, which casts doubt on the sustainability of the Franco-German "engine" of European integration.

**Differences in economic dynamics.** The growing economic competition is contributing to France's bid to oust Germany from its leadership position in the European Union, which until recently seemed unshakable. Traditionally, no one ever questioned the fact that the German economy was significantly larger than the French one, which was also a powerful argument in political influence. In recent years, however, despite the remaining economic gap in terms of volume, it is France that has become increasingly attractive to foreign and domestic investors. Although the two economies are intertwined, Germany, "lulled" by cheap Russian energy in previous decades, seems to have lost the pace of structural transformation. This is evidenced by the current relative weakening of the German economy compared to the French economy.

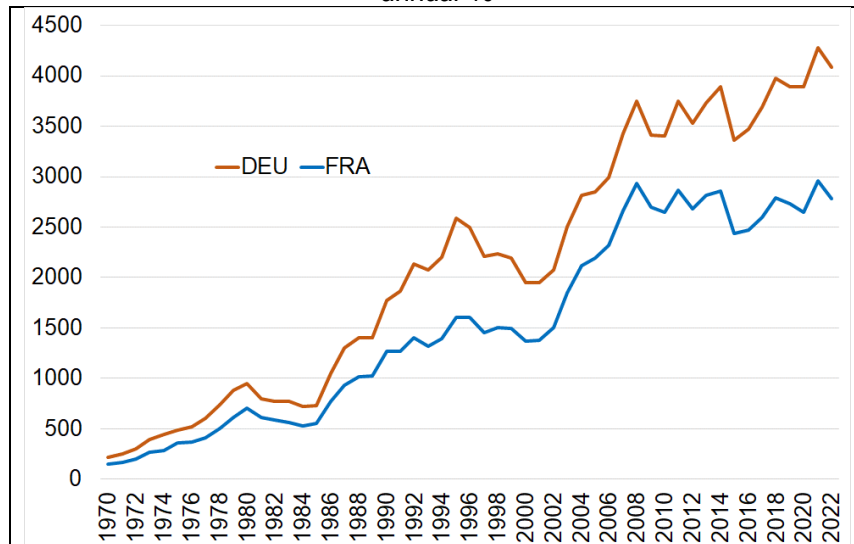


From the mid-1990s until the Global Financial Crisis of 2008-2009 (GFC), France's economic growth rate significantly outpaced that of Germany (Figure "Real GDP growth"), gradually bringing the size of France's economy to that of Germany. However, after the GFC, France was taken over by the Socialists (2012), which slowed down structural transformations and made it very difficult for the country to overcome its post-crisis problems. The French economy slowed down, leading to a widening gap between economic dynamics (Figure "Nominal GDP").

<sup>26</sup> «Regain de patriotisme» : 57 % des jeunes Français interrogés prêts à s'enrôler sous les drapeaux « en cas de guerre». – <https://www.leparisien.fr/societe/regain-de-patriotisme-57-des-jeunes-francais-interroges-prets-a-senroler-sous-les-drapeaux-en-cas-de-guerre-12-04-2024-35ZK3VMTFFBJPKSWOQ433R675Y.php>.

<sup>27</sup> Braun E., Wax E. Macron forms 'New Europeans' club to unite fragmented EU liberals. – <https://www.politico.eu/article/emmanuel-macron-new-europeans-unite-fragmented-liberals/>.

### Nominal GDP, annual %



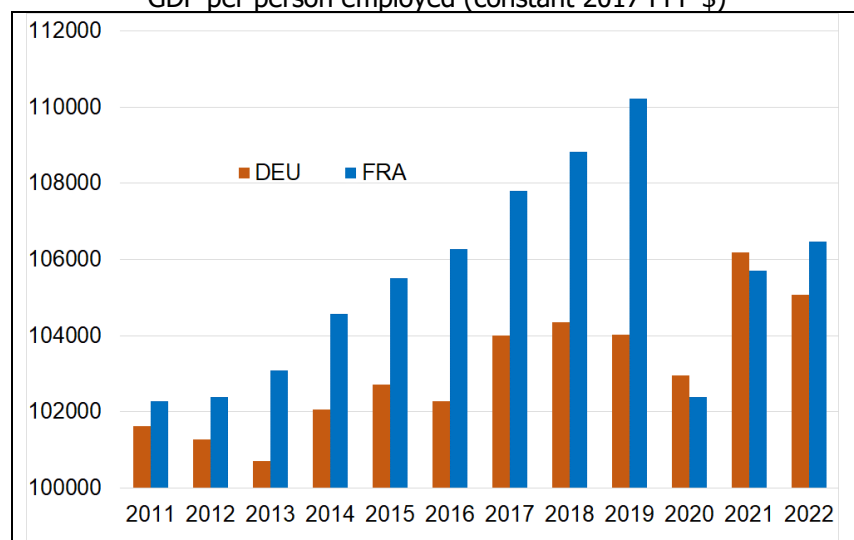
Therefore, the ambitious plans of the current French leadership, led by President Macron, are aimed at accelerating the country's socio-economic development and establishing the "strategic autonomy" of Europe in foreign policy. Both goals can be achieved only through a strong defence and competitive industrial policy, which becomes integral to the country's security and defence needs and at the same time reduced dependence on third parties.<sup>28</sup> This approach is fully consistent with the goals and objectives of transforming Ukraine's economic environment.

France is well positioned to pursue these objectives, as the level of investment in its economy as a share of GDP significantly exceeds the investment "content" of the German economy. In recent years, the share of gross capital formation in France has ranged from 24 to 27% of GDP, compared to 22-24% in Germany. This high level of investment strengthens France's production capacity and attracts foreign capital.

This is confirmed by a stable inflow of foreign direct investment (FDI) to France in recent years. For example, since the summer of 2023, the average monthly FDI inflow to France has been €3.5 billion compared to €3.3 billion in Germany, despite the fact that the French economy is around 70% of the size of the German economy (and FDI have more pronounced impact on the French economic environment).

This could explain why France had higher productivity levels than Germany before the COVID-19 pandemic (Figure "Productivity of German and French economies").

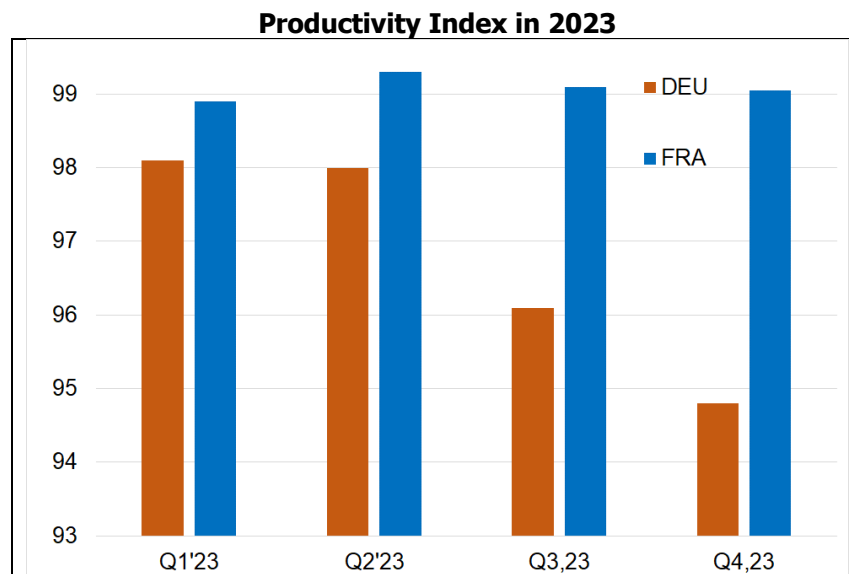
### Productivity of German and French economies, GDP per person employed (constant 2017 PPP \$)



<sup>28</sup> Macron links Europe's future to its "strategic autonomy" – <https://interfax.com.ua/news/general/902996.html> (in Ukrainian)



Although productivity levels may have levelled off during the post-coronavirus period, possibly due to the more severe pandemic situation in France, it is expected to be a temporary situation. Notably, France's productivity advantage was restored in 2023 (Figure "Productivity Index in 2023").



The readiness for a green transition is an important characteristic of any modern economy, as it reflects its competitiveness in the future. Russia's invasion of Ukraine highlighted the dependence of large industrialised European economies on carbon-intensive energy resources from autocratic countries, emphasising the need for a so-called green transition – consistent reduction in carbon emissions.

The European Union has established a multi-component Green Transition Index<sup>29</sup> to monitor compliance with transformation requirements, with small, developed countries like the Netherlands, Denmark, and Norway leading in recent years. Meanwhile, France performed slightly better than Germany in the index, as Germany had a high dependence on "cheap" Russian resources which are no longer available. In the 2022, France ranked 5<sup>th</sup> with a score of 55.1, while Germany ranked 7<sup>th</sup> with a score of 54.5 (for reference, the top-rated Netherlands had a score of 57.4).

In terms of green transition prospects, France's position looks stronger than Germany's. According to the 2023 Green Future Index,<sup>30</sup> France ranks 9<sup>th</sup> with a score of 5.99 (the leader is Iceland with 6.69), and Germany ranks 11<sup>th</sup> (5.92). Although the differences are not significant, France's economy seems to be better prepared for the green transition, which improves the country's economic prospects in general and is an additional argument in support of political leadership.

The French economy focuses on improved productivity, and the green transition means that a fairly high domestic absorption (value added) combined with significant domestic savings. This allows maintaining the appropriate level of gross capital formation and well-balanced foreign trade balance (Figure "Balance of foreign trade in goods and services").

Moreover, France's foreign trade is sufficiently diversified, reducing the risk of excessive dependence on specific trading partners for political reasons. In 2022, France's exports to Germany reached \$85 billion (14% of total exports), Italy – \$57 billion (9.4%), and the United States – \$49 billion (8.1%).

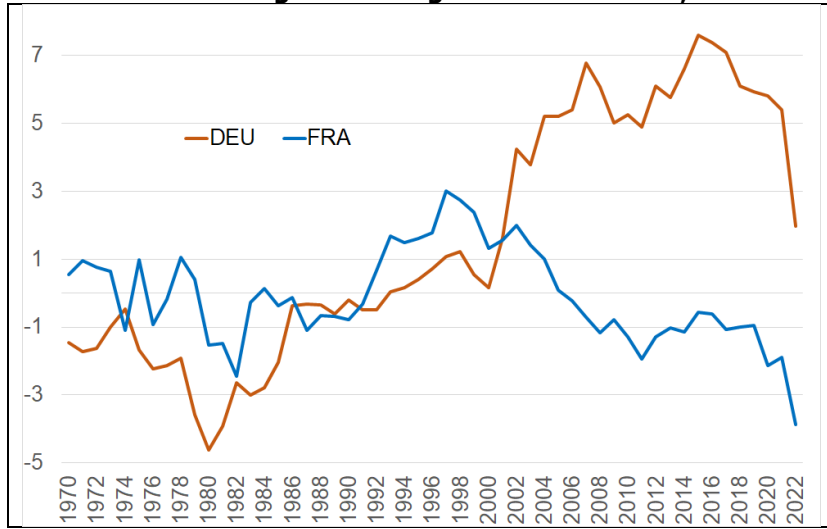
Moreover, trade deficits with some of the main partner countries are largely offset by positive trade balances with others (Figure "France's trade with main economic partners").

<sup>29</sup> Wyman O. The green transition index. – <https://www.oliverwyman.com/our-expertise/insights/2022/jun/green-transition-index.html>

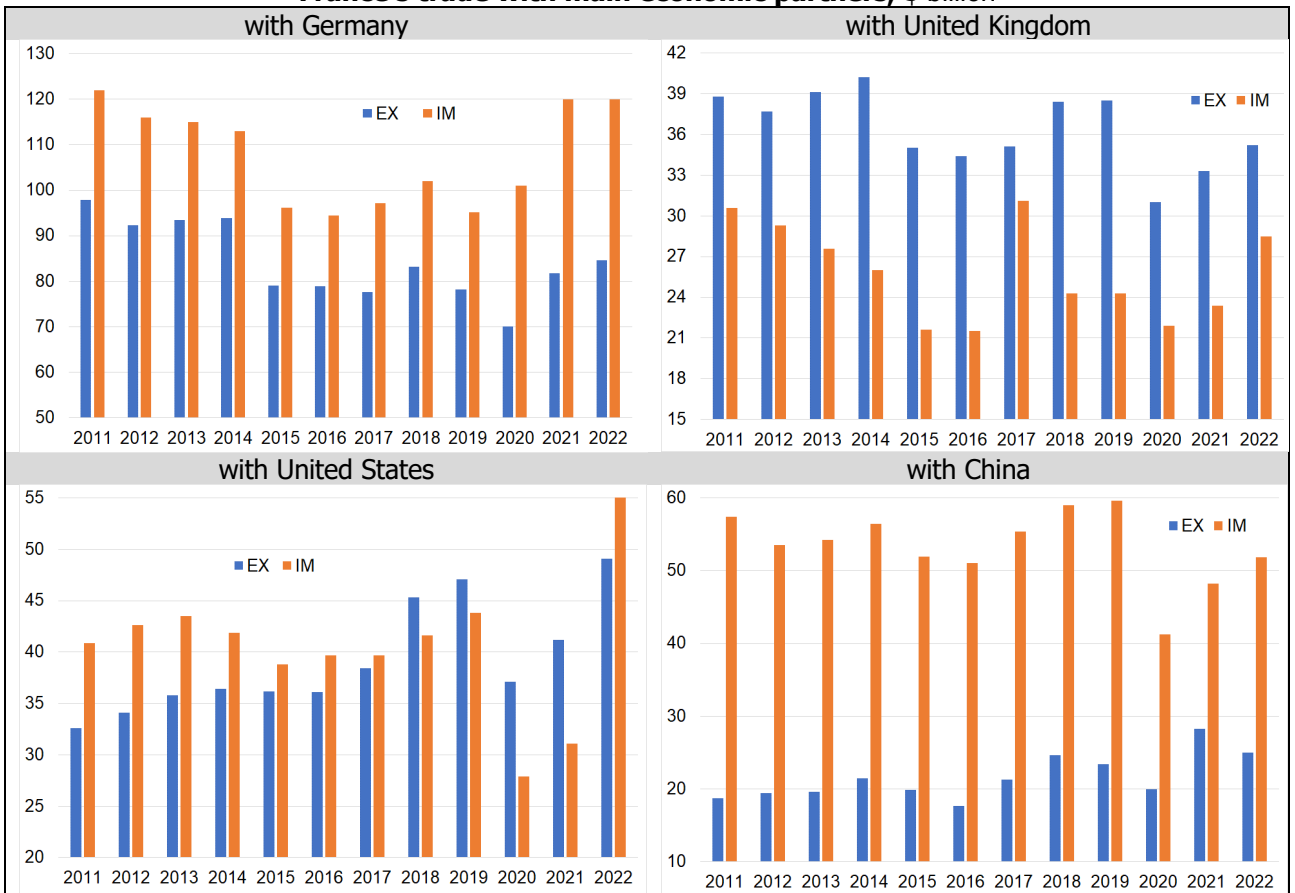
<sup>30</sup> The Green Future Index measures the degree to which the economies are pivoting towards clean energy, industry, agriculture and society through investment in renewables, innovation and green policy. – The Green Future Index 2023, <https://www.technologyreview.com/2023/04/05/1070581/the-green-future-index-2023>.



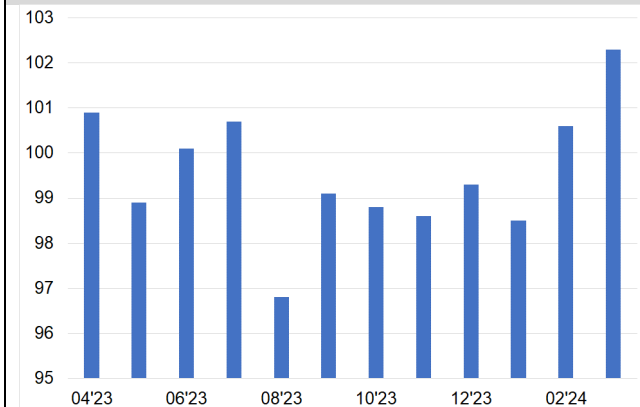
**Balance of foreign trade in goods and services, % GDP**



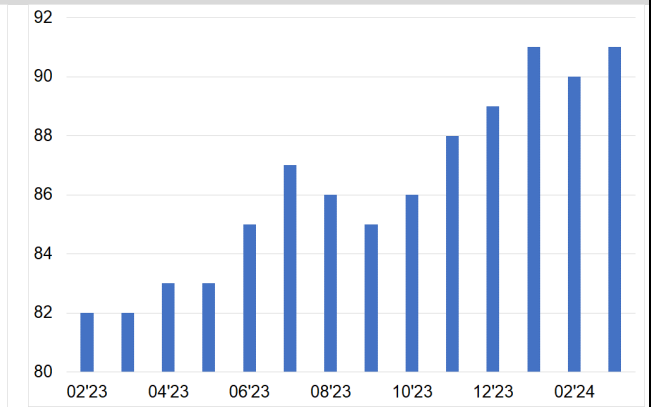
**France's trade with main economic partners, \$ billion**



**Business sentiment**



**Consumer confidence**

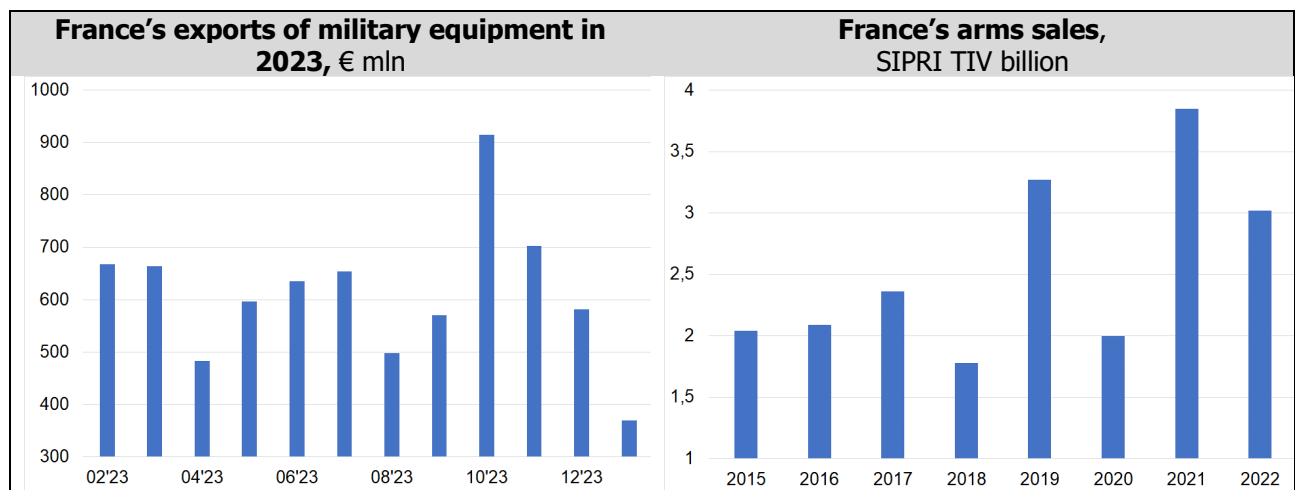
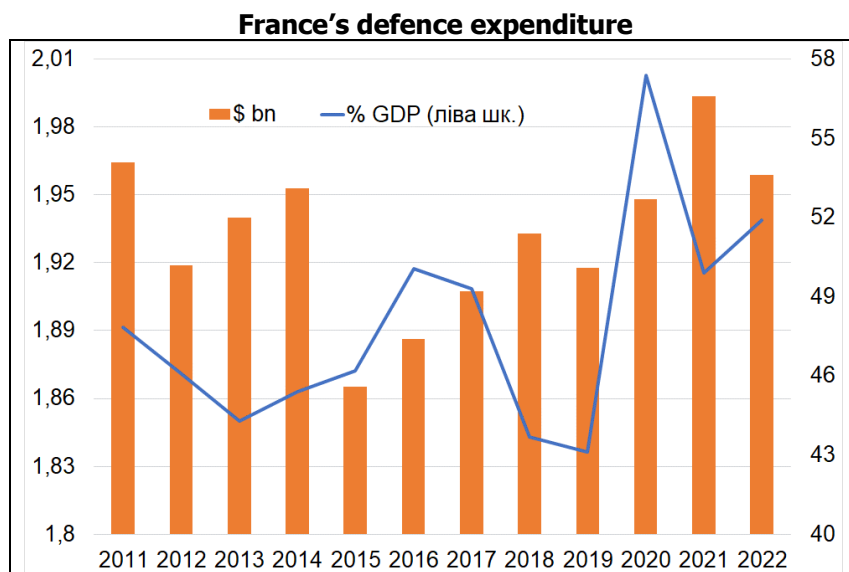


This sustained economic growth has also contributed to the well-being of businesses and households, leading to a positive feedback loop with economic dynamics. Over the past year, both business sentiment and consumer confidence have shown very positive trends (Figures "Business sentiment" and "Consumer confidence").

**Military component.** France's developed economy has a significant defence and military component, although the country allocates less than 2% of its GDP to defence, following the trend of other large EU nations (Figure "France's defence expenditure"). In 2020, due to the decline of France's GDP by 6% during the COVID-19 pandemic, there was a relative increase in defence spending in the country's GDP structure.

Monthly military spending in 2023 ranged from €385 million to €630 million on average (Figure "France's exports of military equipment in 2023").

If President Macron's rhetoric translates into practical support for Ukraine, it will certainly be reflected in the volume of arms sales. Although these volumes decreased in 2022 compared to 2021, providing more support to Ukraine, even on a paid basis, is likely to restore the upward trend in sales (Figure "France's arms sales").<sup>31</sup>



<sup>31</sup> To estimate the volume of arms sales, the Swedish institute SIPRI has developed a special cost system based on physical indicators rather than market values (the SIPRI trend-indicator value – TIV). – Holtom P., et al. Measuring international arms transfers, <https://www.sipri.org/sites/default/files/files/FS/SIPRIFS1212.pdf>.

Meanwhile, France's ambitions to take the lead in defending Ukraine's interests are still far from reality. For example, bilateral military assistance from Germany over the past two years has exceeded €17 billion, while France's bilateral assistance to Ukraine is much more modest at around €2 billion.<sup>32</sup>

**France-Ukraine: declarations and reservations.** Meanwhile, a number of political developments give rise to cautiously optimistic expectations of France's rational and balanced positions, therefore, one can expect France's growing importance in the European security system, as well as the expansion of its military cooperation with Ukraine.

On 16 February, during President Zelenskyy's visit to Paris, France and Ukraine signed a security agreement, which includes €3 billion in military aid in 2024 and France's full support to Ukraine on its path to the EU and NATO. The two countries also plan to partner in accelerating arms production, including Delair drones and KNDS tanks (a joint French-German production).

In this context, the official publication on 4 April of the draft law on military programming (LPM) for 2024-2030 before its submission to the French legislature is an extremely important political and security event.<sup>33</sup> The programme involves €400 billion (\$435 billion) of investment and covers €413 billion (\$450 billion) of military needs. This includes additional ammunition and weapons in response to Russia's attack on Ukraine, taking into account a possible "high-intensity" conflict in Europe.

The joint article by the British and French foreign ministers, commemorating the 120<sup>th</sup> anniversary of the Entente<sup>34</sup> signifies a shift in approach. Published on 7 April in British *The Telegraph* and French *Le Figaro*, the article emphasises that Ukraine must win, because if it loses, everyone loses, because the consequences of inaction would be costlier than resisting Putin's aggression now. The ministers urge for increased support to Ukraine, with the West needing to do more to "ensure Russia's defeat". Notably, such a joint step is uncommon for the leaders of France and the UK.

However, criticisms made against President Macron, notably from German Chancellor Scholz, are valid. The Kiel Institute for the World Economy's Ukraine Support Tracker reveals that before the signing of the Ukrainian-French security agreement, France provided approximately 640 million euros in aid, ranking 42<sup>nd</sup> out of 154 countries (although the European Union, including France, is atop of this list).<sup>35</sup>

According to the French Ministry of Defence, France has supplied military equipment worth €2.615 billion to Ukraine since 24 February 2022, and also added €1.2 billion to the European Peace Facility (EFF).<sup>36</sup> The equipment in MoD's list includes, in particular, the *Crotale NG*, *Mistral*, *SAMP/T* missile systems (jointly developed with Italy), as well as *Crotale*, *Mistral*, and *Aster* missiles. It is reported that France will produce 75 *Cesar* howitzers by the end of the year.

This, of course, is not much compared to what Ukraine has already received from the US and Germany; in terms of the percentage of GDP, France's assistance is significantly less than the contribution of Lithuania or Estonia. One can also recall relatively recent events, when the French leadership blocked the purchase of ammunition for Ukraine outside the EU. On the other hand, France's previous scepticism and reluctance to support Ukraine has now seemingly changed, although it is mostly through political declarations.

The French president's renewed approach to the Ukraine war looks very promising, but practical actions will be the true test of credibility. As of now, the French leaders' "pro-Ukrainian" rhetoric still needs to be confirmed

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<sup>32</sup> Dupuis O. President Macron's Ukrainian arithmetic. – <https://lithuaniatribune.com/president-macrons-ukrainian-arithmetic/>

<sup>33</sup> Machi V. Macron sends \$438 billion military budget plan to French parliament. – <https://www.defensenews.com/global/europe/2023/04/04/macron-sends-438-billion-military-budget-plan-to-french-parliament/>

<sup>34</sup> Stéphane Séjourné et David Cameron: «L'amitié entre la France et le Royaume-Uni a contribué à bâtir un monde meilleur». – <https://www.lefigaro.fr/vox/monde/stephane-sejourne-et-david-cameron-l-amitie-entre-la-france-et-le-royaume-uni-a-contribue-a-batir-un-monde-meilleur-20240408>.

The world is safer for a renewed Entente. – <https://www.telegraph.co.uk/news/2024/04/07/world-is-safer-for-a-renewed-entente/>

<sup>35</sup> Ukraine Support Tracker. – <https://www.ifw-kiel.de/topics/war-against-ukraine/ukraine-support-tracker/>

<sup>36</sup> Ukraine: la France dresse le bilan des équipements militaires livrés. – <https://www.defense.gouv.fr/actualites/ukraine-france-dresse-bilan-equipements-militaires-livres>

by real deeds, and it is too early to say if France's support will be sustained, and the issue of supporting Ukraine remains hostage to the political situation.

The convergence of interests between Europe and the United States, despite the spread of sentiments that have little in common with the declared values, is noteworthy and presents an opportunity that should be approached thoughtfully.

The issue of assistance to Ukraine today seems quite transparent. First, the Ramstein Coalition has already determined that it is necessary to accelerate the supply of much-needed weapons to protect and ensure safety of Ukrainian territories and soldiers. Second, it is necessary to prevent "peaceful" compromise agreements that will be implemented at the expense of Ukrainians.<sup>37</sup> Third, NATO leaders must increase their support for Ukraine's defence by supplying advanced weapons and abandoning the policy of appeasing the aggressor, which is doing increasingly more harm to the European community.

France may be more interested in joint capabilities and the possibility of collaborating on weapons production. This could pave the way for cooperation in other sectors and attract investments in volumes that their protection in Ukraine would serve France's national interest. Political cooperation could be discussed after peace is achieved. By that time, Kyiv should learn to speak the same language as Paris, emphasising shared interests.

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<sup>37</sup> Daalder I., et al. What Ukraine Needs From NATO? Advanced Weapons—and Clarity on What Membership Will Require. – [https://www.foreignaffairs.com/ukraine/what-ukraine-needs-nato?utm\\_medium=newsletters&utm\\_source=twofa&utm\\_campaign=China's%20Economic%20Collision%20Course&utm\\_content=20240329&utm\\_term=FA%20This%20Week%20-%20112017](https://www.foreignaffairs.com/ukraine/what-ukraine-needs-nato?utm_medium=newsletters&utm_source=twofa&utm_campaign=China's%20Economic%20Collision%20Course&utm_content=20240329&utm_term=FA%20This%20Week%20-%20112017)