

## French Exports After the Euro

**With the Eurozone accounting for a declining share of all French exports (and of German exports) the economic rationale for French (and German) membership of the Euro is hard to discern.**

*France, along with Germany and nine other countries, adopted the Euro on 1st January 1999. The previous Global Britain Briefing Note, No 28, German Exports After the Euro, analysed the German Balance of Payments. The present Briefing Note, using the same layout, summarises the results of a similar analysis of the French Balance of Payments.*

### Main Conclusions

- The share of all French exports taken by the **"World outside the Eurozone"** rose from **52 per cent to 55 per cent** between 1999 and 2002 *Table 3*
- The share of all French exports taken by the **"World outside the EU"** also rose between 1999 and 2002, **from 39 per cent to 42 per cent** *Table 3*
- In the first four years of Euro membership, **French exports outside the Eurozone grew** at an annual average compound rate of **8.0 per cent**, almost **twice as fast** as the rate - **4.3 per cent** - at which French exports grew to **the rest of the Eurozone** *Table 2*
- In those same four years, **French exports to the three EU countries outside the Euro, the UK, Sweden and Denmark**, grew only slightly faster than they did to the rest of the Eurozone *Table 2*
- French exports to Germany **grew** at an annual average compound rate of **only 1.3 per cent** between 1999 and 2002. French **exports to the USA grew almost seven times as fast**, and French exports to the UK grew three-and-a-half times as fast *Table 2*
- Consequently, though Germany remained France's most important export market in 2002, on present trends the **two principal Anglo-Saxon economies will soon overtake Germany** to become France's two most important export markets *Tables 1, 2 & 3*
- In compiling its Balance of Payments data, the Banque de France draws attention to the existence of the **"Rotterdam-Antwerp Effect"** (though it does not call it that). The Rotterdam-Antwerp Effect causes distortions to recorded trade flows in the balance of payments statistics of France, Britain and other countries. It results from exports transiting through the ports of Rotterdam and Antwerp on their way to other countries being nevertheless recorded as going respectively to Holland and Belgium<sup>1</sup>
- A quite separate distortion, the **Netherlands Distortion**, concerns the distortion to recorded flows of Income resulting from the use, for tax reasons, of Netherlands holding companies to channel investment to third countries. A similar distortion may be operating in the case of the French trade statistics, in respect of the use for investment purposes by French companies of Luxembourg (and possibly Belgian) holding companies<sup>2</sup>

**Table 1**  
**France's Top 5 Markets**  
**for Exports in 2002**

"Exports" are defined as Exports of Goods & Services plus Receipts of Income

Rank	Country	Share %
1	Germany	12.2
2	USA	11.0
3	UK	10.8
4	Belg/Lux	9.4
5	Italy	8.0
	<b>Top 5 combined</b>	<b>51.4</b>
	Rest of World	48.6
	World	100.0
<b>Of which:</b>	<b>Eurozone</b>	<b>54.6</b>
	Ex-Eurozone	45.4

**Table 2: Geographical Breakdown of French Exports:**  
**Value Growth Rates between 1999 & 2002**

"Exports" are defined as Exports of Goods & Services plus Receipts of Income. "Growth Rate" is the Annual Average Compound Rate of Growth 1999 - 2002

Country/Region of Destination	Growth Rate %	Country/Region of Destination	Growth Rate %
		UK	4.6
Germany	1.3	Sweden	7.6
Italy	5.4	Denmark	7.5
Belg/Lux	10.3	<b>"Outs"</b>	<b>4.6</b>
Netherlands	2.8	EU 15	4.4
Austria	1.1	USA	8.8
Spain	4.8	Switzerland	3.1
Portugal	1.8	Japan	4.0
Finland	2.2	Other non-EU	10.1
Ireland	10.1	<b>World excl. EU 15</b>	<b>9.1</b>
Greece	5.0	<b>World</b>	<b>6.2</b>
<b>Eurozone</b>	<b>4.3</b>	<b>World outside Eurozone</b>	<b>8.0</b>

**Table 3: Geographical Breakdown of French Exports: 1999 & 2002 compared**  
**Euros Billion**

Country/Region of Destination	1999				2002				% of Total
	Goods	Services	Income	Total	Goods	Services	Income	Total	
Germany	44	8	7	59	47	7	8	61	12.2
Italy	25	5	4	34	29	6	5	40	8.0
Belg/Lux	20	6	9	35	25	7	15	47	9.4
Netherlands	13	5	5	23	13	5	7	24	4.8
Austria	3	1	-	4	3	1	-	4	0.8
Spain	26	1	3	30	31	-	4	35	7.0
Portugal	4	1	1	6	5	1	1	6	1.2
Finland	1	-	-	2	2	-	-	2	0.4
Ireland	2	1	-	3	3	1	1	4	0.8
Greece	3	-	-	4	3	1	1	4	0.8
<b>Eurozone</b>	<b>141</b>	<b>28</b>	<b>29</b>	<b>200</b>	<b>161</b>	<b>29</b>	<b>42</b>	<b>227</b>	<b>45.4</b>
UK	29	9	9	48	33	12	10	54	10.8
Sweden	4	1	-	5	5	1	1	6	1.2
Denmark	2	-	-	3	3	1	-	3	0.6
<b>"Outs"</b>	<b>36</b>	<b>10</b>	<b>10</b>	<b>56</b>	<b>40</b>	<b>12</b>	<b>10</b>	<b>64</b>	<b>12.8</b>
<b>EU 15</b>	<b>177</b>	<b>38</b>	<b>39</b>	<b>256</b>	<b>201</b>	<b>41</b>	<b>52</b>	<b>291</b>	<b>58.2</b>
USA	22	14	7	43	26	18	11	55	11.0
Switzerland	10	5	4	20	10	6	6	22	4.4
Japan	5	2	1	8	6	2	1	9	1.8
Other non-EU	68	18	8	90	80	24	16	120	24.0
<b>World excl. EU</b>	<b>105</b>	<b>39</b>	<b>20</b>	<b>161</b>	<b>122</b>	<b>50</b>	<b>34</b>	<b>209</b>	<b>41.8</b>
<b>World</b>	<b>282</b>	<b>77</b>	<b>59</b>	<b>417</b>	<b>323</b>	<b>91</b>	<b>86</b>	<b>500</b>	<b>100.0</b>
<b>World excl. Eurozone</b>	<b>141</b>	<b>49</b>	<b>30</b>	<b>217</b>	<b>162</b>	<b>62</b>	<b>44</b>	<b>273</b>	<b>54.6</b>

Source: Banque de France: Balance des Paiements et Position Exterieur de la France: 2002: [www.banque-france.fr](http://www.banque-france.fr)

Due to rounding, rows & columns may not sum

## References

- See "Distortions to Recorded UK Trade Flows", in Global Britain Briefing Note No 23, 6th December 2002, *UK Export Growth Stalled in 2001*; [www.globalbritain.org](http://www.globalbritain.org). The descriptions "Rotterdam-Antwerp Effect" and "Netherlands Distortion" were first formulated in 1994 by Ian Milne, now Director of Global Britain
- See Global Britain Briefing Note No 20, 31st July 2002, *FDI: The Netherlands Distortion*, [www.globalbritain.org](http://www.globalbritain.org)

Enquiries: Ian Milne, Director, Global Britain, PO Box 38597, London SW1W 0WP  
email: [globalbritain@ukonline.co.uk](mailto:globalbritain@ukonline.co.uk) Web: <http://www.globalbritain.org>