



Ambassador's Activities

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Speech by HE Bernard Emié,
French Ambassador to the United Kingdom

Walbrook Breakfast

05 June 2013

Cher Lord Palumbo,

Ladies and gentlemen,

Thank you for inviting me to speak to such a distinguished group of City professionals. Lord Palumbo had the courtesy – or the weakness! – to give me “carte blanche” for this speech.

It’s a few days since François Hollande’s working dinner with David Cameron, which I attended, and we’re in the final straight before the G8 summit in Northern Ireland on 17 and 18 June, during which our two leaders will have the opportunity to meet again, also in a bilateral capacity.

So I thought it would be useful to take stock of the situation of our countries in the face of the latest European political and economic developments.

I’ll also be very happy, of course, to talk to you after this short introduction, because it’s always useful for an ambassador to come and “take the pulse” of the City.

I/ The economic situation in Europe and the Euro Area is improving, but remains fragile.

First of all, a word about the current economic situation in the Euro Area. We’re in a paradoxical situation. There’s no longer a crisis of the euro as a currency, but there’s still an economic crisis in the Euro Area. The Euro Area’s leaders and institutions have created the necessary means of keeping their promise to preserve the Euro Area’s integrity. The

existential crisis is receding. Solidarity has worked. The doubts about the single currency's future are melting away. It's a major step forward.

There were two possible outcomes to the crisis: the disappearance of the euro, which the doom-mongers – particularly in the British press – have never stopped wrongly predicting, or closer Euro Area integration. We've resolutely set out on the latter path, of course, and this will continue. M. Hollande and Mrs Merkel made it known a few days ago, in the run-up to the June European Council, that they're in favour of more Euro Area summits and of a full-time Eurogroup president, in order to achieve enhanced coordination of economic policies.

The stabilization is genuine, even though certain national situations are the focus of collective vigilance. Interest rates have eased in those countries where there was still very great tension in the last six-month period. The countries under programmes are making headway: Ireland, for example, is nearing completion of her programme and Portugal is also on track, impressively bouncing back.

Nevertheless, we're not out of the woods yet. The Euro Area is indeed still in crisis. What concerns us today is the risk of a scenario where the financial markets recover but the real economy stagnates and remains stuck in a phase of very slow, almost flat recovery. We'd then have a disconnect between an "economy at the top" and an "economy at the bottom" with, on the one hand, stabilized and even relatively dynamic financial markets, and, on the other, real economic indicators – unemployment rates, consumption, investment etc. – that go in a different direction. Youth unemployment in particular has risen to unacceptable levels, and we've got to tackle it head-on, because it's eroding young people's confidence in the future.

For France, the main collective challenge is to support activity, return to growth and, in a nutshell, establish a positive economic outlook for our citizens, in addition to the effort and sacrifices being asked, which are essential for sorting out our public finances and honouring the commitments made. We can't go on asking our citizens to make efforts to sort out our public finances without opening up the prospect of growth: that would be a political mistake.

In this regard, we can only welcome the fact that the Commission has set out on a more growth-oriented path in the country-specific recommendations it submitted to the Council last week, which report a return by several member states to a deficit of 3% of GDP – a threshold neither France nor the UK currently meet, with 4.8% and 6.3% respectively in 2012. We must find a balance between budget stabilization, carried out at the right pace, and growth. And the reforms carried out in France over the past year testify to this determination: a return to budgetary targets, as proven by the efforts demanded of the French people in the 2013 budget and the reduction in public expenditure embarked upon; but at the same time, an effort of competitiveness, through the establishment of the competitiveness and employment tax credit (CICE), and an effort of labour market flexibility, through the law on increasing job security, which, among other things, gives employers more room for manoeuvre.

Above all, the joint proposals set out last week by François Hollande and Angela Merkel are in line with this balance between growth and austerity. People still go on a lot about France and Germany's different sensibilities. They exist, but once again our leaders have shown they can find the path to a compromise that can inspire the European Council at the end of the month.

In particular, Paris and Berlin are both calling for more effort to combat youth unemployment. Among other things, it's about swiftly using the €6 billion that was earmarked for this – particularly on France's initiative – in the so-called Multiannual Financial Framework agreed in February. The labour ministers will be meeting again in Berlin on 3 July at François Hollande and Angela Merkel's invitation, to see how to move forward on this. The G8 must also tackle this subject and send a message to the public to show our collective mobilization against this scourge.

II/ So Europe must give itself the tools to emerge from the crisis stronger and more robust.

This is why, for the past year, the European countries – including France, who, since President Hollande's election, has played a major role initiating proposals – have been working to boost economic activity, investment and employment in the EU.

The June 2012 European Council agreed on a €120-billion package for growth and employment, with the European Investment Bank granting an increased number of loans amounting to around €55 billion and a reallocation of roughly €60 billion worth of structural funds. Angela Merkel and François Hollande recalled on Thursday that this package must be implemented without delay.

The European Council of February 2013 mapped out the budgetary direction of the EU for the period 2014-2020 – the Multiannual Framework. It's a budget of consensus and compromise.

In particular, it finances growth and innovation policies to the tune of over €125 billion, in coordination with the Europe 2020 strategy.

Finally, the European Union is equipping itself with macro-prudential instruments that will make the financial markets more stable, more secure, and put them at the service of the real economy.

In particular, it's about implementing banking union, which establishes a single supervision mechanism for all the European banks. M. Hollande and Mrs Merkel called on Thursday for the Council to approve the Bank Recovery and Resolution Directive and the deposit guarantee scheme by the end of the month.

Above all, they expressed the hope that the Single Resolution Mechanism will be adopted by next year, on the basis of the current treaties. They also mentioned the possibility of bringing this mechanism closer to the European Stability Mechanism.

Finally, it's clear for France that we will, at some point or other, have to focus on the creation of a Euro Area budgetary capability, which will enable us to absorb shocks better.

III/ The crisis has revealed a need for more Europe rather than less Europe.

What is no doubt lacking in European people's eyes is solidarity. In recent years, we've created discipline – particularly budget discipline – for its own sake, but not sufficiently to

ensure the proper functioning of solidarity mechanisms, at a time when this should be its main purpose. Europe is a project of peace, but also a project of solidarity and prosperity.

Today – and it’s difficult to say this in the UK – the crisis is linked to too little, not too much Europe.

We must prove every day that Europe is the solution to the difficulties all our countries are experiencing, and not their cause. We must also explain that the EU greatly increases its members’ influence.

First of all in security and defence. The European countries have realized that they can’t act alone and that only cooperation and pooling their strengths can prove effective. The EU’s recent civilian and military missions show that, by working jointly, the member states can make their interests prevail, ensure the security of destabilized regions and uphold their values of democracy and freedom. We see this today in Mali, where the European training mission for the Malian army, EUTM, is being deployed, but also in Somalia, where the Atalanta mission is successfully fighting piracy.

The risk of rejection of the EU isn’t exclusive to this or that nation. We experienced this in France with the “no” vote in 2005 in the referendum on the Treaty establishing a Constitution for Europe. We can see it today in Italy and Greece. Those people aren’t hostile to the European idea, but this lack of solidarity has created knee-jerk reactions of protectionism and isolationism based on identity and has undermined people’s commitment to Europe.

Let's be aware that, if we don't stop blaming the EU for our own failures and complacency, there could be a rise in populism and extremism at the next European elections.

IV/ The UK has her full place in a mutually-supportive and integrated Europe.

The UK has repeatedly faced this temptation to distance herself, even though she has very different reasons for doing so. We're following this debate with concern and even a little anxiety.

Since 1973, the British have made an outstanding contribution to deepening the single market and to the continent's integration. The UK has played a driving role in trade negotiations, working to make the EU the world's most open regional organization. The UK also plays a major role in defence. The Franco-British strategic partnership is one of the foundations of this Defence Europe, which nonetheless has trouble asserting itself.

That's why, with the respect and friendship France and all her EU partners have for Britain, we're observing the debates taking place here about the future of relations between the UK and the EU. This is a British domestic political issue. You're free to organize, when the time comes, a referendum on EU justice and home affairs policy opt-ins and opt-outs, never to want to join the euro, to remain outside the Schengen Area; it's a matter of your full sovereignty in strict compliance with the treaties.

That's also why, in order to move Europe forward while respecting everyone's sensitivities, we're thinking about a Europe progressing at several speeds, in different groupings. You can

talk about a “vanguard”, “pioneering states” or a “hard core” – the names don’t matter, but it’s a situation that is going to become more widespread. Having said that, I’m keen to reassure you that it won’t in any way reduce access to the single market by countries like the UK that choose not to integrate further.

France would like Britain to remain in the EU. But above all, we’re talking here about a domestic debate. It’s up to British Europhiles to explain actively that, while it isn’t perfect, the EU is no less an extraordinary tool for all its members, including the UK.

In this regard, economic circles have a very special role to play. I’m thinking in particular of the CBI, the City and major business leaders in general. Indeed, their arguments will significantly influence public opinion.

Ladies and gentlemen, you’re among those opinion leaders, so you have a crucial role to play in the future of your country and its influence in the world, but also in the future of the whole European continent.

Thank you./.