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Ambassador's Activities

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Speech by HE Bernard Emié,

French Ambassador to the United Kingdom

at the Ward of Cordwainer Club Annual Lunch

13 December 2013

Chairman,

Sheriff,

Vice-President,

Distinguished guests,

Mark,

It's a pleasure and an honour to be able to speak to you today as guest speaker at your annual lunch.

In his letter of invitation, Mark Boleat told me I could be as formal or light-hearted as I wished, which – for a French diplomat who is wearing a morning suit for lunch today, when the most formal attire for a state dinner in his country is a black tie – is a real challenge.

So allow me to make use of this freedom by beginning my speech with an anecdote. When, in the spring, my office received a letter inviting me to the annual lunch of a shoemakers' association, I must admit that they weren't immediately struck by the importance of the event! Worried at receiving no reply, Mark had to send the invitation again to ensure it finally reached me, and I was delighted to accept it, and did so with gratitude.

This faux pas shows clearly the scale of cultural differences between our two countries, and how strange the organization of the City can seem to a French observer.

Indeed, the French Republic was initially built on the idea that intermediate or representative bodies were liable to divide the people and thus jeopardize the expression of the general interest. This explains why the abolition of privileges decreed on the night of 4 August 1789 concerned in particular the rights acquired over the centuries by towns. It's also why professional corporations were abolished in 1791. In short, a club like yours – which brings together people from a ward in a free city and whose name, moreover, refers to a professional corporation – a club like this would have represented everything the French republicans of the late 18th century were striving to get rid of.

Very fortunately, things have changed a great deal since then. Union freedom was restored in France in 1884. The free administration of towns was confirmed in the same year. Admittedly, certain customs in the City still intrigue and amuse us – I'm thinking of the Silent Ceremony, of the privilege granted to the Lord Mayor of being able to take his sheep over London Bridge, and of the seat reserved for the City Remembrancer in the Houses of Commons and Lords. The key thing is that differences in tradition and protocol do nothing to hinder our excellent relations.

So, before I talk about the important economic and financial reforms being conducted in France and Europe, allow me to say a few words on France's very strong links with the City.

I/ France's links with the City are substantive and fruitful.

You don't need to be reminded of the importance of the French community in London. You have only to stroll through South Kensington or Islington, or frequent the Emirates Stadium or the restaurants in the West End, to realize that French clichés about the quality of London's weather and cuisine haven't deterred many of our compatriots from settling here.

On the other hand, it’s perhaps more relevant to emphasize how significant this French presence is in the financial sector.

It’s manifested first of all in the French financial institutions that have established themselves here. As for the banks, nearly 7,000 people work for BNP Paribas in the United Kingdom; under the supervision of their UK heads, who are present here, the British branch of Société Générale employs some 2,000 people and that of Crédit Agricole nearly 1,500. On the insurance side, AXA has 13,000 employees in the UK and Covéa 6,000.

The French presence is also shown in the place occupied by French people in the City’s largest institutions. We’re all aware of the example of Xavier Rolet, who heads the London Stock Exchange. But I could also cite Samir Assaf, CEO of HSBC’s investment bank, Eric Bommensath, who holds the same post at Barclays, and Tidjane Thiam, boss of Prudential.

Now, too, you have, in the person of Mark Carney, a French-speaking Governor of the Bank of England, to whom I had the pleasure of talking – partly in French – last week.

Finally, the French presence requires the relations we’ve forged with representatives of the City to be strong and based on trust. My presence today testifies to this, but it’s only one example among many of regular, friendly, fruitful meetings.

First of all I’ll mention the close cooperation – of which Mark Boleat is well aware – between the City of London Corporation and Paris EUROPLACE. At a time when the media are speaking only of rivalry between Paris and London and of them hatching dark plots against each other, representatives of the two financial centres have actually been meeting twice a year since 2008 to further their shared interests.

Let me also remind you – some of you were present, incidentally – that Pierre Moscovici made a speech at the Guildhall to the City community during his official visit to London in February. Finally, a few days ago I hosted a meeting with the new Lord Mayor to welcome him to his new post, introduce him to representatives of the French financial community in London and pass on our messages to him. I'd already organized a similar welcome event with his two predecessors, and I hope to have established a tradition that will continue in years to come.

The advantage of these meetings is that they're an opportunity to put right the misconceptions people have about each other. That's the case, for example, with the sometimes slightly quick or distorted judgments that some people in the UK make about the French economy and the reforms under way in Europe. Let me talk to you a little about your neighbour, friend, EU partner and occasional rival, France.

II/ The reforms are bearing fruit in France.

I want to stress to you that although it's not yet as spectacular as in the UK, the economic recovery is now well under way in France.

Beyond temporary jolts, the trend on the growth front is clear: we're witnessing a gradual acceleration in economic activity. After standing at zero for two years, from the beginning of

2011 to the beginning of 2013, the average growth rate has improved since the spring: it was equivalent to nearly 1% per annum over the second and third quarters, and this pace should at least be maintained in the fourth quarter.

This trend has been confirmed in company surveys by INSEE [National Institute of Statistics and Economic Studies]: whereas the business climate indicator had fallen to 84 in April, it has since picked up again, reaching 95 in November and now not far from its long-term average of 100.

The improvement in economic activity is starting to be seen in the labour market: whereas the number of unemployed people was rising at a rate of nearly 100,000 a quarter at the beginning of the year, it fell by 10,000 between August and October.

Clearly, a great deal has yet to be done. France's GDP is still below its pre-crisis peak, even though this level should be overtaken at the beginning of 2014. Let me note, with a little friendly mischief, that France is doing better on this score than the UK, which isn't expected to regain its early-2008 production level until the second quarter of 2014. The unemployment rate is still too high in France and the public deficit, which will be nearly 4% for 2013, must be reduced still further to achieve our goal of structural equilibrium.

But the economic recovery under way is not only a sign that the reforms the government has embarked on are starting to bear fruit but also an encouragement to continue them. I'll cite three of them:

- a systematic review of all public expenditure was initiated at the end of 2012. This government action modernization programme (MAP) will continue until 2017 and concerns 20% of expenditure programmes each year. It enables us to identify the necessary opportunities for cutting costs in order to achieve our goal of structural budget balance. From 2015, 100% of the budgetary effort will involve reductions in public expenditure;

- the establishment of the competitiveness and employment tax credit, which enables us to reduce labour costs for companies by 6% from 1 January 2014 onwards;
- the creation of the French Public Investment Bank, which enables us to support the growth of SMEs and mid-cap companies, thanks to long-term investments.

As you can see, France is fully committed to structural reforms to increase productivity and jobs and improve the quality of public expenditure. But these efforts will allow a lasting return to growth only if we manage to ensure the Euro Area's financial stability as well.

III/ The swift establishment of banking union in Europe is in the interest of everyone, including the UK.

This is the very issue being addressed in the current discussions on banking union.

The crisis showed us that, although the Euro Area has many advantages, it also had a major flaw, linked to the fact that national financial systems operate in isolation from each another. This fragmentation is particularly dangerous in cases when episodes of financial stress jeopardize banks' liquidity and sometimes their creditworthiness.

In the United States, North Carolina wasn't called on to help rescue the Bank of America, despite it being home to the bank's headquarters. In the UK it was British, not just Scottish, taxpayers who bore the cost of rescuing RBS.

In the Euro Area, this solidarity doesn't yet exist. It's the Irish, Spanish or Italian state which has to save its own banking system, despite Irish, Spanish and Italian banks operating in other European countries. Banking union aims to break this vicious circle between the banking system and public finances, which blocks any prospect of recovery for some European economies.

As you've no doubt read, recent news on banking union is positive. At Tuesday's Ecofin Council, the foundations were laid for a political agreement on the three texts under discussion (on bank resolution, the Single Resolution Mechanism and a deposit guarantee scheme), and we're hopeful that a final compromise can be reached when Ecofin meets on 18 December. Admittedly we've still got to get the European Parliament's agreement, after endorsement by the European Council at the end of the year, but the goal of having a vote on the different texts before the end of the current legislature is within our grasp.

I know that some people here regard these developments with a mixture of relief and concern: they welcome the normalization of financial conditions in Europe but fear that greater integration in the Euro Area will result in the UK's position in Europe being marginalized.

Our message to the British authorities is clear on this point: France shares with the UK a concern that greater integration shouldn't damage the interests of states outside the Euro

Area. It's particularly crucial that the internal market should remain a common policy discussed between the 28. This will be the case, and although we can understand the fears being expressed, I'd like to recall that they're not based on concrete reality, because there's no evidence that the Euro Area states are forming a caucus to impose their will on the UK in areas related to the internal market.

But it's just as necessary for non-Euro Area members not to prevent the other member states from moving further towards integration should they so wish. We're not talking about an à la carte Europe, but differentiated integration, which must allow both the interests and wishes of everyone to be protected, without calling into question the integration already achieved. We're working daily with our British partners to ensure this balance in practice.

Against this background, the City has an essential role to play, at a time when the British electorate could be called upon in the next few years to make a fundamental choice about the nature of the UK's relationship with Europe. The EU can't imagine losing its biggest financial centre. And the City can't prosper if cut off from its main market. Like everyone, I noted Goldman Sachs' recent statements on the impact which the UK leaving the EU would have on the bank.

I know that Mark tirelessly underlines the benefits the UK derives from belonging to the European Union, and the benefits the European Union derives from a UK which seeks to carry its full weight in joint decision-making. The TTIP is a prime example, but only one among others. I'm delighted that British business circles – the CBI and others – are playing an active role in passing on this message. I know I can also count on you all to remind your clients, colleagues, friends – and why not your politicians too? – how much our destinies are linked and how much stronger the UK will be in the world if it stays in the EU, as a major partner that will help us write the key chapters of our shared future.

Thank you.

I now invite you to join me in raising your glasses to toast the Ward of Cordwainer Club and its chairman./.