



# Ambassador's Activities

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

The Lansdowne Lecture @ The Royal Society of Edinburgh  
*How will France and the UK face up to Europe's challenges?*

Edinburgh, 17 November 2012

Ladies and gentlemen,  
*Cher* Sir David Edward,  
Dear friends of the Franco-Scottish Society,

I / Tribute to the Franco-Scottish Society

It's a pleasure for me to be in Edinburgh today and to meet you all. I have had a very intense two-day visit to Glasgow and Edinburgh which, once again, has made me appreciate how strong the ties between Scotland and France are.

In Glasgow, I visited a factory of the French defence firm Thales and a nearby nuclear power station operated by EDF energy. I also opened the 20<sup>th</sup> edition of the French Film Festival and attended the gala dinner celebrating the 30<sup>th</sup> anniversary of the *Alliance Française de Glasgow*. Finally, I met the deputy First Minister, Mrs Nicola Sturgeon.

In Edinburgh this morning, before meeting Secretary of State for Scotland Michael Moore, I awarded the insigna of *Chevalier* in the *Ordre National de la Légion d'honneur* and of *Officier* in the *Ordre des Arts et des Lettres* to a great friend of France and a true European, Sir David Edward.

I would like first of all to thank Sir David and the Franco-Scottish Society for providing me with the opportunity to give a speech in this prestigious venue of the Royal Society of Edinburgh.

It is indeed an honour for a French ambassador to hold the floor in such a venerable institution. The Royal Society was born out of the Scottish Enlightenment, of which the French philosopher Voltaire famously said, "We look to Scotland for all our ideas of civilization."<sup>1</sup>

I have to say I am delighted that the Royal Society enjoys an outstanding relationship with France. In partnership with the French Embassy in London, the Royal Society organizes

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<sup>1</sup> « *Nous nous tournons vers l'Écosse pour trouver toutes nos idées sur la civilisation* »

several scientific seminars every year. The most recent ones this year have been on the use of lasers and on territorial administrations.

What is more, some of the most distinguished members of the Royal Society have very close personal ties with France. This is the case of Sir Michael Atiyah, who as President of the Society has promoted closer links with the *Académie des Sciences*. I had the rare honour of awarding the insignia of *Grand Officier* in the *Ordre national de la Légion d'Honneur* to Sir Michael last year.

As I have already said, this morning I had the great pleasure of awarding the insignia of *Chevalier* in this order to Sir David Edward, President of the Franco-Scottish Society, which has been organizing exchanges between Scotland and France since 1996.

Sir David has been a very active promoter of the use of French throughout his long and remarkable career, particularly at the European Court of Justice.

I would like to pay tribute to the late 8<sup>th</sup> Marquis of Lansdowne for his donation to the Franco-Scottish Society. Of course, this donation allows lectures to take place, and meetings such as ours this afternoon in this prestigious venue. It comes after previous lectures, given by distinguished speakers such as yourself, *cher* Sir David, on Justice in the EU, and the *Inspecteur Général des Archives de France*, Michel Duchein, on Marie de Guise, the mother of Mary Queen of Scots.

More importantly, I know that every year the Lansdowne legacy helps young people around Scotland to go to France to study French or any other subject as part of an Erasmus exchange. I strongly believe that we never do ourselves more credit than when we help younger generations. Of course anyone who would like to consider making a contribution to helping young Scots study in France is more than welcome to do so. It is a priceless investment in the future of Franco-Scottish friendship. Indeed, there is no better way for our children to get to know and understand each other better.

II / Where does France stand today?

Well, I've said quite a lot about the great job the Franco-British Society is doing. I would now like to get down to the subject of today's lecture.

Indeed, I wanted to talk to you today about how France and the UK, two major players, will face up to the world's challenges at a time when major changes are taking place in the European Union and throughout the world, when the EU has just been awarded the Nobel Peace Prize – I'll come back later to this major award, which Sir David is no doubt delighted about – and also at a time when we're going to have to take strategic decisions about the EU's future. I also wanted to talk about France

Following President Hollande's election in May, a new government took office just six months ago. Three closely related challenges characterized the situation in which it found itself: growth that was too weak, a heavy debt burden and reforms that needed to be pursued. The financial crisis and the European debt hit us hard, just as they hit the United Kingdom – and I know the financial services sector employs thousands of people in Scotland.

President Hollande clearly set out France's strategy: create more jobs, ensure a sustainable financial balance and steer Europe back towards more growth. At stake is both our credibility on the international stage and our future.

We are focusing on two points:

- honouring the government's commitment to reduce the budget deficit;
- and, concurrently, setting out an ambitious employment and competitiveness policy and stimulating growth.

Indeed, France has embarked on an ambitious path to balance her budget by 2017, with a deficit target reduced from this year's 4.5% of GDP to 3% next year. We're on the right track for hitting our target this year. The estimated budget for 2013 should honour the 3% deficit target.

President Hollande has made fiscal responsibility a principle of his action because we want to regain our sovereignty and independence in relation to the markets.

France plans to make savings of around €30 billion next year. The government is going to raise €20 billion in tax. But we shall do this fairly and by asking the big companies and wealthiest households in particular to contribute. But the budget also provides for a €10 billion cut in public spending and a reduction in the number of civil servants.

Yet the government's programme goes beyond budget credibility alone. We also want to restore competitiveness:

- by responding to the need to finance the economy. Like the United Kingdom, France would like to make it easier for entrepreneurs to get capital for their projects<sup>2</sup>.
- by radically reforming our labour market (protection for employees and flexible recruitment for companies).

On Tuesday, 6 November 2012 – following the presentation of the report by Louis Gallois, former head of the SNCF and EADS – Prime Minister Jean-Marc Ayrault presented the national pact for growth, competitiveness and employment. This pact contains 35 concrete decisions on eight competitiveness levers, including lightening the burden of labour costs, stimulating innovation and supporting youth employment.

The government has decided on an initial, massive, unprecedented measure: to lighten the burden of labour costs by €20 billion. This lightening of the burden will be implemented over three years, amounting to €10 billion in the first year and another €5 billion in each of the following two years. So it'll amount to €20 billion when fully in place. It'll involve salaries of between 1 and 2.5 times the minimum wage. This will mean an equivalent reduction of around 6% in labour costs.

All in all, as you can see, we're both honouring the government's commitment to reduce the budget deficit and tackling this critical issue of competitiveness.

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<sup>2</sup> Three initiatives aim to bring this about:

- We're going to establish regulatory and tax incentives with the aim of steering savings, which are high in France, towards SMEs.
- As you plan to do here in the United Kingdom, we have pledged to establish a public investment bank to help innovative businesses, and also small businesses in difficulty, get financing.
- Finally, we are going to introduce a banking reform to prompt banks to encourage the development of the economy rather than seeking immediate profit.

So that's how things are as far as France is concerned. Let's talk now about Europe.

### III / Where are our two countries going in relation to the European project?

First of all, the European Union should help restart the engine of growth in the Euro Area and beyond. Indeed, the French government thinks that at European level, fiscal discipline must be counterbalanced by measures supporting growth.

An important step was taken at the European Council in June. A necessary boost was given to achieving better equilibrium between the different macroeconomic goals the member states are pursuing. It's high time for growth to reclaim its essential position on the European economic map, and we campaigned to secure the European Council's agreement on a €120 billion package "for growth and employment"<sup>3</sup>. So the June summit was a promising development. But more has to be done – in particular a fully-fledged banking union. We're working on this.

We have three goals in our European policy.

The first goal is to focus European policy on the ambition for growth. This ambition for growth must be pursued through the discussion under way on the European Union's Financial Perspective, which in the coming years must enable us to mobilize nearly €1,000 billion, notably for the challenges presented by the Common Agricultural Policy and the Cohesion Policy.

Because we want a good budget for the EU, we don't intend to make systematic, deep cuts, and we hope the financial transaction tax will in the future become an own resource in the EU budget, so that this budget is dynamic. The financial transaction tax will be the object of enhanced cooperation. Eleven countries have signed up to it, and it will soon be 12 or more. Its proceeds could be allocated to, among other things, investment projects, Overseas Development Assistance funds and a training fund for young people.

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<sup>3</sup> New liquid assets coming from a combination of short-term growth instruments such as project bonds, the reallocation of European Structural Funds, and new investment capital from the European Investment Bank.

Secondly, we'd like to restore order to finance. We have considerable challenges ahead of us if we don't want speculation – which in the past has undermined growth and destroyed the real economy – to continue its harmful work. That's why we'll carry through banking supervision. We'd like all banks to be supervised by the European Central Bank, because it's a prerequisite for restoring order to finance.

Finally, we'd like banking supervision to be the first stage in the creation of a banking union – in other words, we'd like to be able to continue by resolving banking crises and establishing a genuine deposit guarantee scheme. Lastly, we want more solidarity, and if more solidarity justifies more political union, we're ready to move in that direction.

Because it has judged them to be in the UK's interest, the coalition government has supported our initiatives on the growth pact in Europe, and I welcome this.

However, the UK's friends, who take an interest in your country and follow what happens here, are worried by the increasingly bitter tone of the public debate on the European project.

The public debate is now drifting ever further from the realm of pragmatism – that quality we admire you for – and into that of ideology. From an objective appreciation of the benefits the EU provides to each of its members, a sector of the public and politicians is sliding towards an irrational, wholesale rejection of it.

How far will this take the United Kingdom? We should ask ourselves the question, and I'll be delighted to discuss it with you in a few minutes' time.

But in the short term, we have some key events coming up, and we need the UK.

One very recent European Council meeting, on 18-19 October, was devoted to banking union and the Euro Area's future, and another will focus on it in mid-December. The Council must take decisions and definitively resolve the situation of Greece, who has made so many efforts and must be assured of remaining in the Euro Area. The Council meeting in December should respond to the demands of those countries which have carried out the reforms expected and must be able to finance themselves at reasonable rates. Finally, it should establish banking union. We want all these issues to be seriously tackled by the end of the year.

Between the two meetings, there will be a Council meeting on 22-23 November, dedicated to the EU's Financial Perspective – that is, its budget for 2014-2020.

On banking union, the UK has shown herself to be constructive, stating that this union – even though you won't be part of it – is necessary in order to save the Euro Area and is therefore in your interests (50% of your foreign trade is with the EU and 42% with the Euro Area).

On the European budget, we're used to these negotiations, where everyone fights tooth and nail to defend their interests and priorities. There's nothing surprising about that. There will be tensions and threats to use the veto, but we hope an agreement will be reached.

But beyond these key upcoming events, I'd like to ask you to step back a little and consider the deeper meaning of this 60-year-old political project, the European project to which I know many in Scotland are deeply committed. The European project is as complex as its goal is simple. The European Union means peace and prosperity; it's what enables us to carry weight in the world.

### III / The design of the European project is more relevant today than ever

As you know, on 12 October the European Union was awarded the Nobel Peace Prize. The gnashing of teeth by some so-called “Eurosceptic” – better described as “Europhobic” – newspapers and public figures can't have escaped your notice. Well, allow me to read to you a statement issued by the French Presidency to welcome this extraordinary event:

*“It is a huge honour for the Nobel Peace Prize to be awarded to the European Union.*

*Through this distinction, every European can feel proud to belong to a union that has been able to make peace between peoples who for a long time were in conflict and build a community based on the values of democracy, freedom and solidarity.*

*But this Nobel prize entrusts Europe with an even greater responsibility: to preserve its unity, the ability to foster growth and employment, and the solidarity it must demonstrate with its members.*

*This reward commits us all to continuing towards a more united, fairer, stronger Europe, promoting peace.”*

We must consider together the importance of the Nobel Peace Prize being awarded to the EU, this collective project.

Who in Britain still reiterates the EU’s achievements after the Second World War and the record of those visionary men: Churchill, Schuman, De Gasperi and many others?

Who reminds us that, 67 years after that conflict on its soil, Europe is the richest continent on the planet, and whatever our disagreements it no longer considers ever settling them by force? Who – apart from too few individuals in the UK like Sir David Edward – recalls the rules, procedures and institutions we’ve established for discussing our differences? Who emphasizes that, following the demise of the Greek, Spanish, Portuguese and, in the East, communist dictatorships, the EU brought democracy to some 200 million Europeans? Who stresses that our example is pondered over and admired on all continents, including Asia with its territorial tensions, Africa with its ethnic disputes, and the Middle East?

Unfortunately, too few voices in the political, business and cultural worlds highlight these considerable achievements, which have enabled our generations to enjoy a Europe of peace and growth.

Dear friends,

It’s true that since 2008, Europe, hit by the global crisis, has hesitated to take new steps, particularly to offer its citizens real economic and social prospects for overcoming the crisis. Economic, budgetary and fiscal union will one day be a necessity in order to strengthen our cohesion, no doubt with a European budget. We’re not at that stage yet, but it is indeed the ultimate goal. In the mind of President Hollande, political union is the phase that will follow fiscal, banking and social union. It will give a democratic framework to the success we achieve with mutually-supportive integration. We’ll be able to consider this political union in greater depth only after the European elections of June 2014. In that vote, the EU’s future

also will be at stake. For our president, this will galvanize people and boost participation in a genuine debate.

Indeed, if we want to pull our weight in the 21<sup>st</sup>-century world, we'll have to go further; and beyond our differences, beyond anything we organize among the 17 Euro Area members and the 27 – one day 28 or 30 – EU members, we French hope we can count on the UK to work out with us the future of this European Union, in which our two countries are set to play a major role.

How can we be more effective together in a globalized world? Just as we're doing bilaterally in defence, joining forces and developing equipment of the future, how can we optimize our countries' forces within the EU to increase our influence? How can we use all our assets to maintain our people's prosperity? In defence terms, we didn't succeed in organizing the merger between BAE and EADS, which would have enabled us to create a top-ranking defence and aeronautics company. But perhaps other opportunities will arise to combine our strengths rather than wasting some of our energy competing in other markets.

Beyond our exceptional cooperation on foreign policy, how can we further the European project? And let me remind you of this figure: today, 75% of the resolutions by the Security Council – that global body that shapes the world and peace – are drawn up jointly by France and Britain. So if together we can fully accomplish our mission to ensure peace and international citizenship, through the global vocation of our diplomats, through the values we promote, through our shared vision of the world, how could we not be capable of working fully together for the European Union's future?

That's why, with the respect and friendship France and other European countries have for Britain, we're closely watching the debates taking place here about the future of relations between the UK and the EU. It's an issue of British domestic politics. The British people are free to organize, when the time comes, a referendum on the EU, to consider 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 full British sovereignty and strict compliance with the treaties. We appreciate Britain's contribution to strengthening the European Union, and particularly her support for the creation of tools to protect the Euro Area countries, like the

European Stability Mechanism, whose establishment required unanimity among the 27 member states.

But we sometimes question the debate in this country about the EU and Britain's role. To pick up on what Polish Foreign Minister Sikorski said in a recent speech at one of Britain's prestigious universities, we'd like to help dispel the myths that exist here about the European Union. It seems to us that since you joined it, the EU has brought you a great deal, and that your participation in the single market and many EU policies has been very positive for your citizens. We think the UK is more powerful, influential and effective – and is seen as such by her partners all over the world, from Washington to New Delhi, from Kuala Lumpur to Lagos – if she's an influential member of the EU rather than in any other position. But we understand the debate, and we in France also have Eurosceptics.

Asked about the risk of Britain leaving Europe, our President recently gave the following answer: *“I'd like to see a UK fully committed to Europe, but I can't decide for the British people. I've noticed that, for the moment, they'd rather draw back. (...) Now they have the advantage of clarity, at least: they're not part of the Euro Area or fiscal union. I don't intend to force them.”* End of quotation.

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, it's the idea that counts. We have a Euro Area; it has a heritage, the single currency. It's calling for new governance. This Euro Area must take on a political dimension.

That's why we're interested in the debate taking place in the United Kingdom.

So far, my overall impression has been that the Scots are rather more committed to the EU than the rest of the UK, and I'm eager to hear your views on that.

And I'll finish with a message of confidence: confidence in the ability of wise people in this country – whatever the future of the relationship between Scotland and the rest of the UK, which is a purely domestic affair on which I won't speculate – to show long-term vision about the UK's place in Europe.

I'll now be delighted to answer your questions.