



# Ambassador's Activities

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

How will France and the UK  
face up to Europe's challenges?

University of Cambridge,  
19 October 2012

*Chère* Professor Julie Smith,

Dear students of the University of Cambridge,

It's a pleasure for me to be in Cambridge today and to meet professors, researchers and students of this university, so prestigious in so many ways. The economy is a major discipline in our world in crisis, and understanding the future of our economic cycles is a matter of survival. And Cambridge has produced seven Nobel economics prizewinners, including Amartya Sen in 1998 and Joseph Stiglitz in 2001.

A few weeks ago I was in Oxford – I hope I won't be burned at the stake for uttering the name here – and I had the chance to see General de Gaulle's letters to his daughter, who studied there during the Second World War.

This morning in Cambridge I had an opportunity to visit Churchill College. I found it particularly moving to look through the archives about the great man and his discussions with General de Gaulle. The figure of Sir Winston Churchill is revered in France. That our country was able to save its honour and be among the winners of the Second World War was largely thanks to the support Churchill lent from the outset to a young general who was brave enough to refuse to capitulate to the Axis powers, but who was then almost unknown: Charles de Gaulle. It was thanks to the close relationship that would develop between the two great men. Although that relationship was sometimes stormy and conflictual, Churchill and De Gaulle respected and esteemed one another.

Their personal relationship reflected this Franco-British relationship, which has no equal and is made up of sensitivities and prejudices but also profound mutual respect. We're conscious of, and – let's admit it – sometimes irritated by our differences, but we're solid allies, doomed to get along and maintain our position together: the "Sweet Enemies" perfectly described in the remarkable work by Professors Robert and Isabelle Tombs.

After visiting Churchill College, I had a meeting with the Master of the renowned Trinity College. Later I'll see the Vice-Chancellor, Sir Leszek Borysiewicz, and we'll have the opportunity to discuss ways of strengthening cooperation between your university and French institutions. It's the main purpose of my visit to Cambridge, in addition to this meeting, organized by Professor Julie Smith, whom I thank warmly. Of course, I'm also here to

encourage French students and researchers – there are doubtless some among you – to do credit to our country by succeeding brilliantly at this centre of excellence, the University of Cambridge.

Dear students,

Before answering your questions, I wanted to talk to you today about how France and the UK will face up to the challenges of the European Union, at a moment when it's just been awarded the Nobel Peace Prize – I'll come back later to this major distinction – and also at a time when we're going to have to take strategic decisions about the EU's future.

## **II / Where does France stand today?**

Following President Hollande's election in May, a new government took office just five months ago. Three closely related challenges characterized the situation: 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 did the United Kingdom.

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, framing 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 will 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 regarding the markets.

France plans to make savings of around €30 billion next year. Contrary to how our country is often portrayed, we aren't going to do this just by raising taxes. Admittedly the government is going to raise €20 billion-worth in tax – we've got to be realistic, there's nothing else we can do. 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>1</sup>.

- by radically reforming our labour market (protection for employees and flexible recruitment for companies).

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

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<sup>1</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.

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>2</sup>. So the June Summit was a promising development. But more has to be done – in particular a fully-fledged banking union<sup>3</sup>. We're working on this.

We have three goals in our Europe policy.

The first goal is to focus European policy on the ambition for growth. I won't go back on the growth pact decided at the European Council in June. This ambition for growth must be pursued through the discussion under way on the European Union's Financial Perspectives, which in the coming years must enable us to mobilize €1,000 billion 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. Its proceeds could be allocated on the one hand to investment projects and on the other to a training fund for young people.

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.

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<sup>2</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.

<sup>3</sup> In other words, joint supervision, a system for banks in difficulty, with a Europe-wide bank deposit guarantee scheme.

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. I share that concern.

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 therefore 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.

Two European Council meetings will be devoted to banking union and the future of the Euro Area, on 18-19 October and in mid-December. The Council must take decisions and definitively resolve the situation of Greece, a country which has made so much effort 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 resolved 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 Perspectives – 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 an agreement will be reached – there’s no doubt about that.

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. 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, a few days ago 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 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 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 my generation to enjoy a Europe of peace and growth.

Dear students,

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 2014. In that vote, the EU's future 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. How can we organize our economies to be more complementary and use our relative advantages in our collective interest?

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. 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 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 taking place in your country about the EU and Britain's role. To use the expression of Polish Foreign Minister Sikorski in a recent speech at one of your 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 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. The British are bound by agreements they've signed. They can't pull out of those. 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 Britain, and above all it must involve your generation, so that it's not confined to simplified arguments, simplistic and often perhaps even populist slogans.

Most of you grew up amid the peace and prosperity afforded us by the European Union, which has now been awarded the Nobel prize. It's also up to you to overcome this worrying silence about the EU's achievements and benefits. It's about your future. Don't let this debate pass you by.

I'll finish with a message of confidence – confidence in the ability of the brilliant young minds nurtured in this place of excellence to show long-term vision about the UK's place in Europe.

I'll now be delighted to answer your questions./.