

## France's European project

Council of Ministers' Communication – 6 May 2015

Address by M. Manuel Valls, Prime Minister

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Mr President,

Ministers,

Ladies and gentlemen,

In three days' time, on 9 May, all the countries of Europe will be celebrating the anniversary of the Schuman Declaration which, 65 years ago, set the European adventure in motion. That beautiful project, born out of the ashes of the Second World War, seemed obvious at the time.

Today, that is no longer the case. All too often, Europe is seen as technocratic and distant. Here and there, people have doubts. Dangerous populist policies such as re-establishing national borders, leaving the euro and breaking free of the Common Agricultural Policy (CAP) are prospering, even though they would lead our countries to ruin.

The new European Commission seems to have understood the situation, presenting itself as the "Last Chance Commission".

Its role, our own and that of all member States is to address the concerns and new issues that arise today, such as how to preserve the freedom of movement while stepping up the security of our common area; how the Euro Area can be deepened; and Europe's role on the international stage.

**In this context, it is in France's interest to speak out.**

That is what we have been doing since 2012, at the initiative of the President, to reorder Europe's priorities. Where it was once all about fiscal surveillance and discipline, we have put the major issues of growth and investment back at the centre of the European agenda; we have put finance under supervision, and we have reordered the priorities.

We will continue our work towards this, clearly reaffirming our ambition: that of a Europe that provides its citizens with protection and security; a Europe that also promotes its values and its cultural and social model; and, of

course, a Europe of investment, sustainable growth and therefore jobs. That is our top priority and I will start there.

## 1. A Europe of growth

**There has already been movement on policies in this area. The priorities of Europe's macroeconomic policy have been radically reordered in the past ten months.**

First, the European Central Bank (ECB) implemented a pro-recovery monetary policy. Last year, I highlighted the problem of the euro being too strong. Now, it has dropped 20% compared to the dollar, and interest rates have never been so low: the French government now borrows at 0.6% over 10 years.

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Europe's economic strategy is also now more balanced, thanks to the initiative of the European Commission. The Europe of growth that we are building is supported, as we requested, by three pillars:

The first pillar concerns stimulating investment. Since 2012, we have called for this to be a priority in Europe, and Jean-Claude Juncker has made it one of the symbols of his presidency, thanks in particular to his stimulus plan of €315 billion. That plan must now be implemented as quickly as possible and finance sectors that promise growth, such as the digital sector and energy transition technologies. Dozens of French projects have already been submitted to receive this funding, and a project was even signed in late April.

**So Europe has begun shifting its priorities towards growth.**

And it needs to go even further. The Minister of the Economy constantly promotes the idea that new common borrowings need to be issued to support European investments. We need to continue advocating this approach to our partners.

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The second pillar is that of fiscal consolidation. Restoring our public finances to a sound footing to maintain France's credit standing on the markets is vital. Without that, no sovereignty can be possible. We are therefore taking

the necessary steps to bring our deficit below the 3% mark by 2017 – but without doing anything that could halt growth. I said that clearly to the Commission when I visited Brussels in March. The forecasts made public yesterday bear out the relevance of this strategy.

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The third pillar is that of structural reforms. They are necessary to make the economy more competitive and agile. I have in mind the reduction in compulsory contributions on low salaries, the exceptional fiscal measure that has just taken effect to stimulate investment, and the cut in income tax. We have also rationalized our territorial organization and embarked on a major simplification campaign. Our agenda of reforms will, moreover, be updated this afternoon.

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We have come so far since my general policy speech a year ago! Back then, I questioned European policy, which seemed to me to boil down to a euro that was too strong and a fiscal discipline policy implemented brutally, with no consideration for the Euro Area's economic situation. On all these subjects, France's voice has been heard and the situation has changed greatly.

**We must now consider a genuine coordination of our economic policies at Euro Area level. This comprehensive vision is required to better encourage growth and jobs.**

That is the purpose of the work under way on the deepening of the Economic and Monetary Union. In the coming weeks, we will be advocating to fully take into account the economic analysis of the Euro Area as a whole, while we currently focus on the individual situation of each country. That concerns fiscal policy, but also structural policies and tax and social issues. Competitiveness policies also need to be coordinated to avoid a race to the lowest bidder, with the lowest compulsory contributions and the lowest salaries, in which everyone would be a loser.

We also need to consider the creation of a European exchange rate policy, respecting, of course, the ECB's independence. The Euro Area must not become the adjustment variable of the exchange rate policies of the other major monetary zones.

Lastly, we need to take action to bring all member states' economic situations closer together, at a time when unemployment rates may be five times higher today in one country than in another.

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Today, five million young Europeans are unemployed. Everything must be done to remedy this unacceptable situation. European initiatives enabling all people under 25 to find training or employment must thus be capable of being fully implemented.

That is why we also need to continue expanding the Erasmus programme, which is one of the EU's greatest successes but remains too elitist. We therefore support the idea of an enhanced European civic service, a vocational Erasmus that would allow the creation of a European apprentice status, and a European student card, offering young people simplified access to certain rights and services such as libraries, housing and university catering. I have asked the Minister of State for European Affairs to steer these different projects, along with the Minister of National Education, the Minister of Youth and the Minister of Labour.

**Ladies and gentlemen, Ministers, I am deeply convinced that stimulating growth, and therefore employment, is vital for citizens to believe in Europe once more.**

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And to restore hope, Europe must be in the vanguard when it comes to the energy transition. We need to better take into account the fight against climate change in our development model. And Europe needs to speak in a single voice during the 2015 Paris Climate Conference: that is vital to achieve an ambitious global agreement. It is a unifying project and an engine for growth – and the planet is at stake.

## 2. A Europe that protects

We also need to build a Europe that protects and that guarantees everyone's security.

The geostrategic context has been profoundly shaken in recent years, with the pressure of a bellicose Russia to the east of Europe, the destabilization of certain Arab countries and the rise of religious fundamentalism on the EU's doorstep – and within it.

The terrorist threat is greater than ever, and Europe needs to stand united against it. That is why it is essential to create a European database of air transport passengers – known as the European Passenger Name Record (PNR) – to enable the security services to better identify potential terrorists. It is also why we need to reform Schengen, to make systematic controls at external borders compulsory. Combating terrorists also means hitting their wallets and combating trafficking in weapons, as well as working more closely with online operators. That is the roadmap France presented during the European Council meeting of 12 February this year, where it was adopted. A first assessment of its results will be carried out by the European Council in June. And we need to achieve results fast; this is necessary to ensure the survival of the Schengen agreements.

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Next, we need to continue the creation of a Defence Europe. The connection between internal security and external security is now clear: when France takes action in the Sahel region, it combats the development of terrorism; in doing so, it serves all Europeans. France has always shouldered its responsibilities and continues to – but it cannot do so alone. Our partners also need to assume their responsibilities and we need the support of the EU.

That will be the challenge of the European Council meeting in June. The aims are clear: we need to restore defence budgets in the EU to a sound footing, strengthen European military capabilities – particularly drones – and consolidate the European Defence Technological and Industrial Base. We also need to strengthen Europe's ability to intervene in crisis theatres and ensure we have the means to act in support of our allies and partners, particularly in Africa. With that in mind, we are very interested to see what proposals the High Representative will make this year to strengthen the EU's security strategy.

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Lastly, we need to come up with an ambitious migration policy. It's a matter of urgency! The number of migrants in the Mediterranean is growing

constantly, and the European Union needs to develop a strong response. The European Council of 23 April took some initial steps, tripling resources for Frontex operations in the Mediterranean, stepping up the fight against the people traffickers, paving the way for a potential Common Security and Defence Policy (CSDP) operation. The Council also recalled that asylum must be given to those who are in danger in their country, but that a return policy needs to be organized for illegal migrants.

Here too, we need to go further by considering an overall European policy – we aren't there yet. That requires dealing with the deep-rooted causes of migrations and effectively monitoring external borders by looking at greater resources for Frontex in the long term and its evolution towards becoming a true European border-guard system. We also need to increase solidarity between member States by enabling the countries most concerned by immigration to shoulder their external border obligations and by better sharing the reception of refugees.

### 3. A Europe which upholds its interests and values

Lastly, we need to build a Europe that upholds its interests and values.

Europe isn't simply a marketplace. It is also, and even primarily, a community of values. Despite their differences, Europeans share what is essential: freedom, pluralism, tolerance, equality between women and men, the role played by culture, social standards, human dignity – Europe is the only place in the world which has completely abolished the death penalty; current events remind us that this isn't a given, but a battle we must go on fighting.

Europe was built on a foundation of values, which gives it considerable strength. We must continue drawing on those values.

Our creative industries, which represent 4% of our GDP, must thus enable Europe to be a cultural power with global reach. That is why it is fundamental to protect copyright, establish suitable taxation and regulate digital platforms.

More generally, trade negotiations must be conducted in a spirit of openness, reciprocity and playing by the rules. Europe, which is often seen by its citizens as disarming in the face of the rest of the world, must on the contrary assume its offensive interests. I particularly have in mind our policy of open

public procurement and the negotiations for the Transatlantic Trade and Investment Partnership (TTIP). We must continue defending our social, health and environmental standards, our food system and our cultural exception.

And, to be credible on the international stage, Europe needs first and foremost to ensure its values are respected at home. The internal market and the rules of free movement of labour must meet the principles of fair competition. That includes combating all forms of social and tax dumping – unfair practices that endanger businesses and undermine employee security.

- ✓ In the social sector, we must therefore continue regulating posted workers and extending the responsibility of contractors to all economic sectors. We also, as the President said, must work on creating a minimum wage within the EU, or at least within the Euro Area, of course taking into account differences in the cost of living. To begin with, we must work with Germany, before bringing in the other countries;
- ✓ In the tax sector, it is essential to combat all abusive forms of tax optimization and non-transparent tax practices. That is what is behind the request that the Minister of Finance, along with his German and Italian colleagues, brought to the Commission. We must ensure compliance with a simple principle: businesses must be taxed in Europe wherever they make their profits. We look forward to receiving the proposals the Commission should make soon.

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Ladies and gentlemen,

I would like to finish by mentioning our method: none of the aims I have discussed here can be achieved unless Europe is run differently. That is a demand from our fellow citizens, who find Europe too complicated and not sufficiently clear. I have in mind our farmers, who are currently concerned about the implementation of the CAP [Common Agricultural Policy], as well as our researchers and our regions. Simplification has to become our requirement. The President emphasized this point following the 2014 European elections.

Running Europe differently is a matter for everyone, including both the European institutions and the member states. That responsibility is incumbent upon every one of us. We need to change our approach to Europe, discussing it more, communicating about its achievements for our citizens, and advocating our ideas throughout the European Union.

In agreement of the French President, I therefore ask every member of the government to participate systematically in all EU Council meetings, to ensure a more consistent presence at the European Parliament – I myself will soon be making my first visit as Prime Minister – and to visit European countries more regularly. We also need a greater presence in the foreign media.

At national level, we can consider involving our Parliament more closely in European decision-making processes, or making more regular updates at the Council of Ministers concerning the main ongoing negotiations, for example.

That was the aim of today's message: opening the way for reflection.

Thank you.

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