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Conférence des Ambassadeurs

Mardi 25 août 2015.

*Your Excellencies, Ministers and Ambassadors, dear Frank-Walter,
Ladies and Gentlemen,*

- **It is an honor to talk with you today and moreover to be the first French minister to attend such an important event.** Your “Wirtschaftstag”, allowing ambassadors and businesses to connect, is an excellent initiative, which actually inspired France: this very day in Paris, my colleague Laurent Fabius is organizing the same event - and I know that minister Steinmeier played a key role in this project.
- **When we look at the same time at global issues and at the economic situation, there is one question and one question only that we need to answer: how can Europe succeed in globalization? The answer is not only growth and good economic indicators in the short run. It is a sustainable way to grow, to make sure structural reforms will be accepted and will last, to protect our citizens and**

our social model while opening opportunities. It is a model based on responsibility and solidarity, which are the basic ingredients of European democracy – and we should never forget we need both.

I/ Europe is at the centre of a moving global economy.

- **Global growth is recovering, but not as much as we expected:** global growth is projected at 3.3 percent in 2015, marginally lower than in 2014. **We are finally and gradually exiting the harshest financial crisis since the 1930s but this is a very long process because financial deleveraging is always long and painful.**
 - **Strengths:** oil price drop + stimulation of growth in developed countries by strong American demand;
 - **Weaknesses:**
 - China faces a lot of difficulties to shape a new growth model. This is not going to be an easy or quiet journey; Moreover, some of the financial excesses that we experienced in the US and in the EU, in particular the excessive private debt, are also at play in China. We should not underestimate the risk: China is the country that contributed the most to global growth in the past ten years. Its development has been based on a compromise between

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society and the ruling party: economic success and political stability; if the former is challenged, the latter is at risk. It probably is a medium term transition process which has started this summer in China.

- The situation is even more difficult in other emerging economies - as we have seen in Russia, in Turkey, in Brazil, where you travelled last week. Financial volatility is coming back with potentially destabilizing capital movements. This makes it all the more important to have a strong and stable Eurozone.
- Geopolitical tensions persist, for instance in the Middle East.

- **In this global picture, Europe is in an intermediary position.**

- The UK, Ireland, Spain are already growing fast. Which teaches us two lessons: (i) you can find growth inside and outside the Eurozone, so the euro is probably not responsible for our economic difficulties; (ii) clear economic reforms do provide results – I certainly do not want to copy those strategies, but we should be aware of this reality.
- Elsewhere in the Eurozone, the economy is starting to grow again, at a lower pace. Those

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recoveries are supported by oil price drop and the depreciation of the euro.

- At the same time, we are facing geopolitical challenges, that Frank-Walter mentioned: mainly the crisis in Ukraine and the migration issue.
- In this context of uncertainties and progressive recovery, after more than five years of deep economic crisis, the European ideal is coping with political tensions and disapproval: within the member states, where anti-European forces are on the rise; and between member states.

We all have a part of responsibility. Because the European idea – the only time in history that free nations have joined together in a peaceful union – has given way to technocratic passivity. Because we all have been living on credit: not just the Greeks, but also the French, who transferred to Europe the responsibility to make needed budgetary efforts and vital reforms; Germany also owes a lot to the EU and the euro, because a peaceful reunification would not have been possible without Europe.

My deep feeling is that these tensions took root 10 years ago, in 2005, when France and the Netherlands opened what I call the lost decade of the EU by voting “no”. It was not a “no” against the idea of Europe. It was not a sudden

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rejection of Europe. It revealed a feeling of exclusion and inefficiency. It was certainly unfair to accuse Europe of all the difficulties. But it was no surprise when for so long politicians had explained bad news came from Brussels and positive decisions had been taken in Paris, Berlin or Athens.

- **Today, we cannot accept that unemployment remains the daily reality of millions in Europe, especially for young people. It is our duty to fight and succeed.**

- **We are at a defining moment. Given those risks and opportunities, what is our roadmap?**
 - if we want to transform short term recovery into sustainable growth, **we need to keep reforming and delivering. Better and faster!**
 - if we want geopolitical challenges to be tackled, **we need a European approach** – as Frank-Walter clearly explained;
 - **if we want our economies to start converging again, if we do not want Europe be the scapegoat of our national weaknesses, we need to build a common project.** From one border to another, the Greek and the British issues, for all their differences, show that a lack of common ground pave the way to a conflict of national interests.

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- For all those issues, Europe is today a question mark. I'm convinced that Europe is the answer and that French-German cooperation is the way.

II/France and Germany have a particular responsibility to straighten what is crooked, to build of Union of differentiation, responsibility and solidarity.

- The EU is stronger than it was 3 years ago: we strengthened our fiscal rules, we built a stability mechanism able to bring emergency funding to countries facing financing difficulties and, most importantly, **we created a banking union** but we still need to complete it with a real common backstop.
- **It is time to go further and to move on to the next stage.** I would not define my ideal as a two-speed Europe. But **Europe needs to move forward along 2 different projects. Both are necessary, both are ambitious.**

1/ First: for the EU as a whole, we should make a new step towards a better integrated single market.

- The single market is the DNA of the European project. We have to make it clear, in France in particular.
- But we need to be pragmatic and to focus on a few key sectors like energy, capital market and digital economy.

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- **Deepening the single market would also allow us to work better with the United Kingdom.** It is crucial, because I am truly convinced that UK's future lies within the EU.
- **But as Jacques Delors used to say, no one falls in love with the single market. We need to complement it with a true *affectio societatis*, at the EU level.** This is why Sigmar Gabriel and I proposed, in our OpEd published in June, **a generalised Erasmus programme** which would allow every European reaching the age of 18 to spend at least one semester in another EU country to either study or follow an apprenticeship.

2/ Then, we need a more integrated Eurozone.

- **We have been victims of a twofold illusion: that a single currency would allow the same standards of living everywhere, from Munich to Athens; second, that even though a few differences remained, European rules would settle things.**
- **We need to strengthen the Eurozone because a monetary union which does not seem non-reversible is weak.**
- **And to strengthen it, we need stronger convergence in the Euro area.** This implies:
 - o **structural reforms** to generate growth and flexibility;

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- **a greater fiscal and social convergence** (harmonizing the basis of corporate tax, for instance);
 - **better governance:**
 - **intergovernmentalism has been necessary to handle the crisis, but it has failed to provide Europe with a common project;**
 - **we need rules, but we also need institutions** which are able to adapt to economic situations, as the ECB has been doing successfully for the monetary policy;
 - **a Eurozone budget**, able both (i) to fund investments which favor growth and convergence and (ii) to stabilize the countries facing temporary difficulties in case of economic shock.
- **A Eurozone budget is not about spending more and creating new taxes. It is a necessary political project:**
- **to promote convergence through smart investments** (let's elaborate on the first steps of the Juncker plan);
 - **to strengthen solidarity and stability**, especially when crises occur: we do need more responsibility in national handling of public finances, but **we also have to recognize that transfers are needed in an economic and monetary union – for the sake of all its members.** In the 1980s, this was the key idea of Delors, Kohl and Mitterrand: “competition that stimulates, cooperation that

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strengthens, and solidarity that unites”, as Jacques Delors put it.

3/For a stronger Eurozone in a better EU, there is one condition: convergence between France and Germany.

This is what I have called the European New deal.

- **What is this New Deal? It is indeed about reducing divergences within the EU and the Eurozone in particular. It means more reforms and more investments.** To make it simple: structural reforms in France (and in other countries – for instance Italy) and investments at the European level and in countries which need it (including Germany).
- **Why? Because it is the real way out of the crisis.** And because it is the only way to change Europe into good news, since we should make people aware that we share more than a loan agreement. It is an economic and political vital necessity.
- **When I mentioned the New Deal, a year ago, skepticism was the rule.** But, a few months later, progress has actually been made.
 - **Europe does invest more: the Juncker plan is now getting real; and since last fall Germany announced 10 billion euros of new investments.**
 - **And France, like Italy, is carrying out an ambitious set of reforms.**

- But we need to go further. France and Germany should agree on a new staged process of convergence. *So sind die Empfehlungen gemeint, die von Jean Pisani-Ferry und Henrik Enderlein erarbeitet und Sigmar Gabriel und mir im November letzten Jahres übergeben wurden: **Wir müssen zum einen konkrete Projekte umsetzen** - so arbeiten wir unter anderem an der Umsetzung gemeinsamer Projekte im Rahmen des Juncker-Plans oder der Digitalisierung der Industrie („Industrie 4.0“). Und gleichzeitig müssen wir umfangreichere und zeitaufwändigere Baustellen in Angriff nehmen, wie etwa die soziale Konvergenz. **Es wäre zum Beispiel, so glaube ich, eine erste sinnvolle Etappe, ein deutsch-französisches Gremium ins Leben zu rufen, das jedes Jahr unsere jeweilige wirtschaftliche Lage vergleicht und Empfehlungen für unsere beiden Regierungen erarbeitet - etwa zum Thema Mindestlohn, Wettbewerbsfähigkeit oder Innovation.***

III/ I want to insist on one fact, to conclude: France is doing its part, better and faster than you may think.

France needs to reform: we have already done a lot, and we need to go further.

I see our efforts around what I call 5”arrows”:

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- **1/ *Sound public finances:***
 - France cannot live with 57% of public spending, the 2nd highest level in the EU, 8 point above the euro zone average.
 - This is why we are carrying out, over 3 years, an unprecedented €50bn plan of spending cuts.
 - Yet, going further would be counter-productive, as it would kill growth and political support at the same time.

- **2/ *Cost competitiveness:***
 - An area we have addressed forcefully by pushing the largest reduction in taxes and contributions on wages in history: €40bn in 3 years.
 - This is already helping France regain market shares and helping firms to rebuild their profit margins.

- **3/ *Non cost competitiveness:***
 - We promote simplification for businesses, innovation for the economy (France has an ambitious tax credit for R&D investments) and investment for the future.
 - I have therefore reshuffled our industrial plans to come up with a limited number of 9 strategic solutions for our key industrial sectors (on digital economy, health etc.).

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- **4/ *Goods and services market:***
 - This is an area that has been at the heart of the law I am currently implementing. It opens up markets and regulated professions; it unlocks economic potential.
 - This is key for our economy, which has been held back for too long by small hurdles and barriers that favor insiders to the detriment of outsiders who are lagging behind.
 - When you unlock these markets, first it creates innovation, second it increases competitiveness and third it makes our society much fairer.
- ⇒ **In the next months, I will support a new bill. Its main goal will be to reform the French economy to make it fully works with the digital revolution and to reduce the boundaries between insiders and outsiders: in a nutshell, I want to allow the French people to seize the new opportunities of our economy.**
- **5/ *Labor market:***
 - The law I am implementing, as well as some other reforms supported by the government, will give more flexibility and more visibility to companies. What we are really inventing in France is a form of flexisecurity based on negotiated arrangements as in the German *Kurzarbeit* scheme...
- ⇒ We now need to reform our **unemployment insurance system.**

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- ⇒ Moreover, our main goal should be to hand over power when it comes to labor relations at the level of the companies, where employers and employees have the real day to day dialogue and know better than any national law what is good for them. This is a big shift in a country where labor relations are governed primarily by law. But we should change this.
- In France, too often, we fear failure and hate success. I want everyone in my country to be able to create, invest and work more easily.

*Your Excellencies, Ministers and Ambassadors,
Ladies and Gentlemen,*

- You are not only German ambassadors. You are ambassadors of the European ideal. You are not only corporates, you are creators, you are citizens.
- France and Germany have to move together as we both share “a certain idea” of Europe:
 - A Europe which does not forget its past. Our countries should remember what they owe to Europe.
 - A Europe which does not fear its future: we have all the assets to fully succeed in tomorrow’s world. In Paris alone, 1 000 to

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1 500 start-ups are created every year. I know the same energy is at work in Berlin and in Germany.

- **Wir müssen gegen trügerische Klischees angehen.**

Es liegt in unserer Verantwortung, es ist unser Anspruch.

Nein, Frankreich ist nicht ins Stocken geraten; Frankreich ist nicht reformunfähig.

Ebenso wenig hegt Deutschland Hegemonialansprüche und es ist nicht bestrebt, das europäische Projekt im Keim zu ersticken. Man spricht hierzulande mit einer gewissen Ironie von der „grande nation“. Genau genommen sind wir zwei europäische „grandes nations“, und das europäische Projekt können wir nur gemeinsam wieder aufbauen. Ein Europa der Verantwortung und der Solidarität.