



MINISTÈRE DE L'ÉCONOMIE
ET DES FINANCES

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Ladies and gentlemen,

I come full of hope for my country, for Europe, for the bilateral relationship between both countries. And full of willingness too.

A few words about our bilateral relationship.

I believe in a strong transatlantic relationship. Between the US and France.

We share a huge responsibility on the world stage. We live in an unstable world – both politically and economically. And I am convinced we have a better chance of successfully dealing with the many challenges we face if we closely cooperate – France, Europe and the USA.

That's why I want to talk to my American counterparts about a number of key issues where together - and with our European partners - we can show the required leadership on the world stage:

- First, how we respond to the massive societal changes that disruptive technologies and the digital economy are creating,
- Second, more broadly how we respond to the challenges of an increasingly globalized world;
- And finally, how we respond to wider security threats.

1. **In all these areas, we face global challenges, and we need joint leadership**

1.1 New technologies and the digital economy

Disruptive technologies and their impact on societies

First, how do we deal with the impact that technological changes are having on our societies?

Today's environment is fast moving: the pace of technological change is without precedent. Disruptive technologies will overhaul the way we live and work. We all have a responsibility to answer the questions and concerns of our people facing the revolution in digital technologies.

To seize the opportunities, we need to massively invest in research and development. And boost innovation. This will be at the core of our policy in France.

You have been successful with DARPA over the years in the United-States. That might be an example for us, as President Macron set out a few days ago.

But we also need to be ready to face up to the challenges of new technologies – in particular the impact on jobs. That's why one of our top priorities is a renewed focus on training and in particular lifelong learning. Gone are the days of a job for life. Workers need transferable skills. Better training.

A focus on training is also essential because this new world of work must see our societies become more equal, not more unequal. This is a key consideration that France



will put up for discussion on the international stage. Technological change must profit the many, not the few as it does too often today.

We all face these challenges. I know they are equally present in the American debate. And I think we can benefit from a close exchange of experiences.

How do we tax the digital economy

Second, there is also an issue about the move to a digital economy which calls into question the traditional ways we collect taxes to finance public spending. How do we tax when there is little or no physical presence? How do we tax the immaterial? How do we value data? These are key issues for public spending and the fairness of our tax systems.

This issue is particularly striking when you look at the issue of the taxation of internet giants. I want to be clear that our ideas are not against American companies as I have read in the press. Our objective is to make sure all companies – wherever they are headquartered - pay their fair share of taxes in the countries they operate in. That's not the case today, in particular for the internet giants. Let me be clear: we welcome these companies in France. They are essential for innovation, competitiveness and jobs. But like everyone else, they should pay their fair share of taxes. It's impossible for me as a Minister to explain to citizens that their small local business down the road has to pay corporate and local taxes and a big internet giant does not. It's about fairness and justice. And it's about efficiency.

Important discussions are taking place at the global level in the OECD. But they are not moving quickly enough. We want to see much faster progress.

So we've suggested going forward at a European level with an alternative proposal – an equalization tax on turnover. It's not a perfect solution. It has its limits. I'm fully aware of that. But it's simple and can be operational fast.

It's time to decide. To lead. Otherwise we leave the ground open to populists.

1.2 Challenges posed by globalisation

Then there are specific challenges posed by the highly globalised, integrated and interdependent world we live in.

Rewriting the world trade rulebook

We believe in globalisation, we don't believe in protectionism. But globalisation has to be fair. It has to be underpinned by rules that everyone respects. That's not the case today.

I know that similar concerns exist in the US as in Europe around unfair competition from some trading partners, unfair subsidisation, unfair support of the state to public companies, and a lack of reciprocity in terms of access to others' markets. It's particularly true for public procurement markets. There are also concerns around flouting of intellectual property or R&D. These are shared concerns.

I can't explain to citizens that European companies are open and those in the far-east are closed. I can't explain that to my constituents.

I think we need to rewrite the rules of world trade – and do so together – USA and Europe.

Upholding the global financial framework

In a different field, I want us to cooperate more closely on how to regulate the international financial system. The depths of the crisis are behind us. Growth is back and that's a good thing. But we need to ensure the conditions are there for long-term growth and that a new crisis does not push



us off course. We've overhauled the financial framework. We must not weaken it. We must all commit to full implementation of Basel and to preserve a level playing field on both sides of the Atlantic.

Financing of climate change

Then there are issues which can be a source of friction. President Macron has made no secret of his intention to make the fight against climate change a key priority of his Presidency. The differences of views with the current American administration are well known. We hope the American position will evolve. In the meantime, we can still work together on the financing of climate change projects – where it can make sense for all countries to develop new cleaner technologies.

1.3 How to face security issues together

We have to face security threats issues together.

Financing of terrorism

France and the US both have suffered from terrorist attacks. And the threat remains. We need to work even more closely together than before on fighting terrorism.

We can make tangible progress in the fight against terrorist financing - by being even more coordinated, but also by pushing these issues at a global level and cracking down on the areas in the world where not enough is being done. And we know where in the world not enough is being done. Together, I hope we can strengthen the FATF (financial action task force) and give more political exposure to this international body. Only global cooperation can help us fight the scourge of terrorism.

As you can see, there are many different issues, in many different areas. But they have in common that they are all global challenges. And where joint leadership can make a real difference.

2. Reforms in France and Europe

Finally a few words about what's happening in France and Europe.

2.1: France

First, let me say a few words about the political significance of the election of Emmanuel Macron. After the Brexit vote, after the rise of populist and sometimes nationalist movements across Europe, the French people chose a different route: they chose to elect a new young leader on a pro-European and pro-reform platform.

I am proud of the French people. Of the decisions they took.

Change is already taking place. We are fully focused on delivering the reforms which were promised in the Presidential campaign. We have to succeed, there is no alternative.

First labor law. A couple of weeks ago, President Macron signed a bill to make our labor law more flexible. So that it's more adapted to companies' different sizes. So that social dialogue works better. So that the costs of redundancies are more predictable. So that recruitment is easier, in particular for SMEs.



Second, we're also improving our public finances while at the same time boosting our economy. We're reducing public expenditure, reducing taxes and social contributions for households and businesses. The budget bill that I presented to Parliament a few days ago includes these important changes.

Corporate tax is being gradually lowered from 33.3% to 25% over the next five years. This will bring our tax rate in line with the European average. We have introduced a flat tax at 30% on gains made on savings and financial investments. This will simplify our existing highly complex system and it will support the financing of the economy. And finally, and this is an important symbol: we are getting rid of a very French speciality – the ISF, a form of wealth tax. We are replacing it with a property tax on the most expensive real estate. It's essential we make these changes if we want to attract more foreign investment.

Once we've overhauled our tax system, we are committed to maintaining stability. Avoiding further changes. Businesses need to know what to expect. If we want more companies and investors to come to France, we can't go on changing the way the tax system works every six months.

While we decrease the tax pressure on business and investors, we are also reducing public spending. We have secured the 3 % fiscal deficit target in 2017 while the medium-term consolidation will lead to a gradual decline of the debt-to-GDP ratio from 2019 onwards.

This tough reform agenda will benefit from the solid economic momentum. Growth has been increasing steadily for the last three quarters and year-on-year growth is at a 6-year high. Business confidence and business investment are at high levels.

We are determined to make the most of this favorable context to radically transform the French economy.

The long-term health of the French economy also depends on our neighbors. Our ambition is to transform the Eurozone and Europe as much as France.

2.1: Europe

Above all, we need to ensure a greater integration of the eurozone. It's essential for our long term financial stability and growth prospects.

We need to do first what we've already committed to do, such as completing the Banking Union and ensuring a genuinely operational Capital Markets Union. This is of utmost importance and needs to be done quickly because it will improve the financing of the European economy.

I also believe we can move forward on some issues where progress is within reach – such as tax convergence.

And there are crucial issues that require more thought, more debate, where it will take time to reach a consensus. That debate has already started. The future role of the European Stability Mechanism and *in fine* the discussion around a future eurozone budget that could both have an investment and a stabilization function.

And if we have a budget, then we need legitimate democratic control over it. And it would also make sense to have someone embody that new function – in the form of a Minister. That's the French long-term vision. What President Macron set out in his speech at la Sorbonne.

Either we move forward and decide, or we'll be left on the side of the road and history will be made without us.



We are facing historical times. We need to decide where we want to be in 25 years. Do we want Europe to be a big global power playing a key role on the international stage? Or a group of small and medium sized countries with no such influence?

I hope other Member States of the Eurozone and Europe will agree that we need to take the jump – so that we can shape the future, not disappear from history.
