



18 DÉCEMBRE 2017

SPEECH AT THE HIGHER SCHOOL OF ECONOMICS – EXPLOITING THE FULL POTENTIAL OF
THE FRENCH-RUSSIA ECONOMIC RELATIONSHIP

It is a great pleasure for me to be back in Moscow – a city I know well from my first career as a diplomat. One of my best memories of Moscow is a meeting in 2003 between President Chirac and President Putin on the Iraq crisis: France and Russia were both against the war in Iraq. And if we look at history, France and Russia were on the same side, the right side of history.

I am deeply convinced as a Gaullist that it is in our common interest to reinforce the links between Europe and Russia, and France can play an essential role.

France and Russia are old countries. Great civilisations. We are not nations that were built in a day. For centuries we have watched each other, from one end of Europe to the other. We have developed a fascination for each other. Our histories are intertwined, our cultures have been nourished by one another.

Today our political relationship is a little overshadowed by well-known political differences and disagreements. I am convinced they will disappear for the sake of a better Franco-Russian relationship.

We also need to be realistic. And continue to develop and deepen our relationship in those areas where we can. And there are many. Economic, cultural, innovation, research - we can improve on the current situation.

This pragmatic approach is precisely the path France has followed in recent months – in particular since Emmanuel Macron was elected as our new President.

With the election of Emmanuel Macron, something new and exciting is happening.

Six months ago – the French people were faced with a very clear binary choice: hope or fear, openness or nationalism, building Europe or turning our back on it. And the French people chose hope, openness and a future at the heart of a stronger Europe that both protects them and defends their interests on the global stage. I am proud of the decision taken by the French people to choose Emmanuel Macron.



They decided it was time for our country to overcome its divisions. It was time to unite. And to transform France and give it the means to play its role in Europe and worldwide. And they gave this clear mandate to Emmanuel Macron and its government.

Transforming France is not an empty formula. We are proud of our welfare-state. And the relatively equal society it ensures. We do not want to change that.

But for too long, we have been addicted to public spending. Debt and taxes have become excessive and they weigh on our economy. For some, France had become synonymous with a cumbersome state and heavy taxes.

We are changing all this. And quickly. Now when people think of France, they think renewal, recovery, innovation and competitiveness.

We need to create wealth before spending it. We need to create the right conditions so that businesses can be profitable – so that they invest, innovate and create jobs.

We have already changed our labour laws to make them more flexible. To make it easier for companies to recruit workers.

We are overhauling our tax system. Our corporate tax will be lowered to 25 % over five years. We are introducing a flat tax of 30 % on capital revenues – to encourage investors both French and foreign to invest in our country. We are encouraging innovation through a special tax credit. And we will create a new fund to finance disruptive innovation. We don't want to have too rely on the USA and China for the innovative developments of the future, even if we have a great relationship.

We are cutting red tape. We are working on making the business environment simpler for everyone.

Many more reforms lie ahead – on our pension system, on our unemployment insurance system, on our educational and training system. We are determined to tackle all these issues in the coming months.

Our aim is to build a stronger economy. Where companies are able to grow, to export their goods, to create new jobs.



The consequences of our reforming agenda are already being felt. The French voice is being heard once again in Europe. France is back.

One example: in the space of a few months, we have managed to completely change the debate on the taxation of internet giants. And action is finally happening. For too long, these companies have been able to make huge profits while paying very little tax in countries such as France and Germany. This cannot go on. It is not fair. Smaller local businesses pay their taxes, why should very successful internet giants not pay theirs? It also puts our welfare-state at risk. Under the leadership of France, we got the support of Germany, Italy and Spain. We presented a common project to all EU members. Now we have the support of 19 European countries. And we've changed the debate at a global level – there is a broad recognition the current situation cannot go on. I am confident we will have a new legally binding framework in place within two years.

I am deeply convinced that we need a greater and a stronger Europe, especially today. A Europe that stands for its own interests and that is able to compete at the same level with the United States and China. This is even more important in today's world with the United States taking more and more unilateral decisions that have a tremendous impact on European and global economies. It's true for climate, for the tax overhaul that they are designing, for sanctions as well. Europe needs to be in a position to defend its interests and values.

Something new is happening too with respect to our approach to foreign powers – and towards Russia more than any other country.

You cannot talk about Russia without strong feelings. No one in Europe is indifferent to Russia. What we want in our relationship is pragmatism, honesty and clarity. We must be open and direct about our disagreements. We need to talk about them if we want to get rid of them. But we also should be enthusiastic where we agree – and this is where we want to act.

We want to promote a pragmatic course of action.

Yes – there is the political situation that we all know. There are third-party sanctions. They are hampering our economic relationship. There are also European sanctions – and for the time being the conditions are not met for us to lift or alleviate them. I hope that will evolve but it has not yet.

Seul le prononcé fait foi



But within those constraints which we will fully respect, we can still develop economic partnerships. Our two nations have always traded. And even though some channels are blocked, we can exploit others.

Emmanuel Macron invited President Putin to Versailles a few days after his election. It was a reminder of Tsar Peter's visit in 1717. It was a sign towards history and a way to highlight the depth of our historical bonds. That day, Emmanuel Macron proposed to Vladimir Putin that both countries should give a renewed impetus to our economic and industrial partnership. And we will do so.

It was not the first sign. The renewal of the CEFIC – the body that promotes our economic relationship – was already one. CEFIC did not meet in 2015. But it was reinstated by Emmanuel Macron when he was minister for the Economy in 2016. Because he knew how important our ties to Russia are. He has not changed his mind since then. And I fully share his approach. And now, we have jointly decided to convene the CEFIC twice this year. This is a clear demonstration that we are going to do everything possible to deepen our economic cooperation within the constraints that we have.

I say “deepening” because France and Russia have always had a close economic relationship. We have built over time strategic partnerships – on space programs, on energy, on car manufacturing. The importance of these projects shows how much trust there can be between us.

On space programs, our cooperation began when Russia was still part of the USSR. It has been strengthened over time as our partnership between Roscosmos and Arianespace illustrates.

On energy, cooperation is alive and kicking as recent events in Yamal highlight. The work of Total and Novatek has been impressive.

French companies were resilient in Russia when the crisis hit in 2009 and during its aftermath. They didn't leave. They stayed. Now that the Russian economy is picking up – with good prospects – we can develop those relationships further. Today, France is the first foreign employer in Russia – with nearly 170 000 jobs. Almost all of our big listed companies – the so-called CAC40 – are present in Russia. France is also the first provider of foreign direct investment inflow. We don't want to only trade with Russia,



we want to invest in the future of Russia and the future of the French, European Union and Russian relationships.

But we are looking beyond today. We are also building for the future.

We see that Russia is shifting towards a new economic model. The authorities are setting new priorities. The development of Russia's own market is key. Russia wants to reduce the volume of imports and develop domestic companies. I believe Russia is right in trying to diversify its economy. The country wants to invest in innovation and new technologies.

The best example of this resolution can be seen in Skolkovo. This site is evidence of the vitality and dynamism of Russia. It is evidence to the talent of its youth.

And we think we have much to bring you in this global project.

But to develop our economic ties, we need them to be based on rules – mutually agreed and mutually respected. We are ready to help and play an active part in the Russia of tomorrow. But we need to ensure a well-balanced cooperation that is mutually beneficial.

One aspect that is fundamental is reciprocity. I said this to our Chinese friends only a few days ago during my stay in Beijing. And I say it to all our partners. We believe in open economies. It benefits everyone. And we don't believe in protectionism that can only lead to economic wars. But no one can accept a lopsided and unbalanced relationship. We need a level playing field. Russian companies are free to come to Europe and France. They are free to invest. We are open to all investment as long as they are long-term projects and do not threaten our core strategic interests. They can access public markets freely and fairly.

But we expect the same treatment for French companies in Russia. I am convinced we can improve on the current situation.

Research and innovation have to be the driving force of our future relationship with strong ties between our SMEs.

Tomorrow, with Minister Orechkin, we will launch a common work on the "City of the Future", which is the main topic of the Dialogue of Trianon put in place by our two Presidents. I am convinced that it paves the way for a fruitful cooperation between our companies for the citizens of our two countries.

Seul le prononcé fait foi



To conclude, 2018 will be an important year for France and Russia.

For Russia, there is of course the Presidential election – but also the Football World Cup. I am sure this major international and festive event will be the occasion to celebrate sport and youth. Because youth brings innovation, modernization, ambitions.

For France and Russia, an important event will be held in May with the visit of the French President Macron at the Saint Petersburg Forum.

These two events will be a unique opportunity to show that Russia's relationship with the rest of the world is not only about geopolitics but also about citizens. Our societies and our companies can cooperate and share common passions: the passion of sport as well as literature, music and arts, the passion of innovation, of new technologies.