



**MINISTÈRE
DE L'ÉCONOMIE
DES FINANCES
ET DE LA RELANCE**

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Recovery Summit – « Reshaping the post-COVID European Economy »

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Europe lead the world for centuries. Europe is where the great discoveries and the most disruptive inventions were launched, from the Renaissance period to the industrial revolutions.

And yet, Europe today is losing ground to the United States and to China. Our growth potential is not strong enough. Radical innovations are not happening often enough in Europe anymore. And we haven't gone far enough in joining forces to change this.

I certainly do not believe that Europe is doomed to become a second-class power. On the contrary. I believe that this is the right moment for Europe to regain its ambition and strengthen its role as a global economic and technological leader.

Faced with the crisis, we were able to take swift, bold and coordinated action. Now, as we draw the lessons from Covid and as the climate and digital transitions will accelerate economic change, we must be driven by the same ambition to emerge from the crisis as a stronger Europe.

I. Where are we?

First, we should be proud of what Europe accomplished in its economic response to the crisis.

The decisions taken together were the right ones at the right time. They were ambitious and effective.

- As soon as the pandemic began, the ECB implemented a new asset purchase program and the European Commission activated the General escape clause of the Stability and Growth Pact. This demonstrated European responsiveness to an unprecedented situation. Member states thus had the room for manoeuvre needed to support their economies.
- We coordinated our emergency responses. We did not repeat our past mistakes, including the ones of 2008. We avoided the wave of shutdowns and mass unemployment that many were predicting.
- Then, we decided Next Generation EU. The EU took a historic decision with the issuance of common debt to support our economies, and in particular those Member states most affected by the crisis. This was an unprecedented act of solidarity at the EU level.
- It is now time to implement our recovery plans without further delay, to ensure that we get back to pre-crisis activity as quickly as possible and to support the transformation of our economies. The publication of the Commission's positive assessments of the first plans is a decisive step. It paves the way for the adoption of a first batch of plans at the ECOFIN Council of July 13 and for a swift disbursement of the funds.

We are already seeing the results of our action. The economic recovery is underway.

- The EU economies have demonstrated their resilience in the first quarter of this year, with an impact of the lockdowns far more muted than during the first wave.
- Since the reopening of most economic activities, the rebound in consumption and job creation has been even stronger than we expected.
- According to the latest forecasts by the European Commission, economic activity in the euro area will return to pre-crisis levels by early 2022. This is excellent news, which we owe in large part to our massive response.



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As we enter a firmer recovery phase, it is now time to set our goals for the next decade.

Will we content ourselves with getting back to normal? Over the decade since the great financial crisis, European countries grew by around 1.5 % per year; in the US, it was 2.3 %. Europe had higher structural unemployment and less investment: over the last decade, investment in European countries increased by 22 %, against 43 % in the US. So getting back to normal means falling further behind, year after year.

Or will we aim higher? How do we avoid falling back into the old routines of lengthy discussions instead of bold action, and ensure that Europe takes the lead in the sectors of the future?

The EU should not be systematically behind the US. We are equal partners. We are not junior partners.

II. What are the lessons?

First lesson: Europe's social model is our strength and our pride.

The crisis has shown how valuable the European social model is in hard times. We have protected workers against job losses with short-time work schemes; we have protected the most vulnerable against falling into poverty with the social safety net and emergency support; and we have stepped up support and training for people who need to find new jobs.

It worked. In France, while GDP dropped by 8 % in 2020, employment declined only by 1.5 % and households' purchasing power was entirely preserved. This created the conditions for a strong rebound in activity once restrictions were lifted.

Second lesson: Europe should dare to take more risks.

When Europe is afraid of taking risks, when the precautionary principle becomes a cardinal rule, when we do not dare to assert our ambition for technological leadership, we fall behind, because others will not be so polite and humble.

We should not let others take risks in our place. If we are too prudent, we will lose sovereignty and have technologies developed elsewhere imposed on us, instead of being the ones to develop the next breakthrough innovations. The Covid crisis has been a wake-up call about our dependency in critical sectors: semi-conductors, drugs, medical equipment.

Europeans are ready for a change in philosophy, for more appetite for taking risks. One sign: entrepreneurship has never been as dynamic as in the last year.

Third lesson: The EU's cohesion is at stake in the post-crisis period.

There is a real risk that economic divergences between Member States will widen as a result of the crisis: between countries with trade surpluses or trade deficits, with higher or lower debt, with cutting-edge industries or low-skill activities. It is essential to keep having one Europe, not several clubs.

Next Generation EU is a huge step to help bridge economic gaps through a combination of solidarity between Member States and commitments at the national level. Next, in the post-crisis period, we must pay close attention to both macroeconomic and fiscal imbalances to preserve the cohesion of our economic and monetary area, with stronger growth as our common objective.



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III. On this basis, what are the solutions?

First of all, we should focus on one single goal: to remain leaders in technology and innovation in the 21st century. With two guiding principles: being bolder in our ambitions, working together rather than against each other to achieve them.

Let us have bolder ambitions, reviving Europe's spirit of conquest

Europe has already started to overhaul its industrial policy thinking: becoming open to public support for large-scale, high-risk industrial projects, identifying strategic value chains, developing new competition tools. What next?

- **Don't set limits:** we can be leaders in technological disruptions that require massive investments, under one condition: to do it together. We are moving forward in this direction with IPCEIs, with more progress in the last year than we thought possible.
 - We must work together and with leading global players to develop next generation semiconductors down to 2 nanometres in Europe.
 - We can be an actor in artificial intelligence technologies at par with the US and China.
 - We should enter the race for quantum computing, even if we don't know where it will lead.
 - We are considering deploying a low-orbit satellite constellation that would compete with US and Chinese constellations.
- **Match US ambition in research:** we need a European DARPA. The EU should go further in supporting the most talented European innovators in the scaling-up of disruptive innovation.
- **Take on the biggest challenge of the century: climate change.** Innovation is the only way to reconcile economic progress with environmental sustainability.
 - We are setting ambitious goals at the European level to accelerate the green transition. France is strongly committed to decarbonising its economy and reaching carbon neutrality by 2050. Let me be clear: this entails a strengthening of carbon pricing at the EU-level. But we must do it with careful attention to its economic and social consequences. Incentives to develop and use clean technologies work better than prohibitions that put industrial competitiveness at risk.
 - France and a number of other European countries will continue investing in nuclear energy to advance our climate goals (500 million euros in our recovery plan), and push innovations to develop small and medium-size reactors.
 - Together with Germany, we are investing heavily to hasten the development of green hydrogen power in order to decarbonise industry and transport (7 billion euros).
 - We can go further and work towards common solutions at the European level to decarbonise industrial processes. But to be effective, fair and legitimate, the commitments we take must not lead to reallocation of the production outside of Europe and translate into increased gas emissions elsewhere. This is why we need a Carbon Border Adjustment Mechanism in Europe.



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The means to achieve these ambitions: the choice of a more cohesive path for Europe

- **Further fiscal integration.** I believe that common debt should be a more permanent tool for investment in Europe, particularly in the climate transition. With a necessary corollary: Member States must respect their commitments in terms of public finances and quality of public spending.
 - The Commission's decision to extend the general escape clause to 2022 is welcome. Consolidating too rapidly would be repeating the mistake of the last crisis.
 - Once growth is firmly restored, we will need to shift the focus towards reducing public debt by containing spending.
 - We will still need rules – fiscal rules are necessary for a monetary union of 19 Member States to work. But this needs to be part of a broader reflection on the policy mix that best supports both private sector growth and fiscal sustainability in Europe.
- **A banking union and a capital markets union.** European start-ups need an integrated financial market with greater sources of funding and investment to grow and compete on a global level.
- **Greater ambition on investment.** This is why I strongly support further capital increase of the European Investment Bank. As we enter the recovery phase, the EIB should boost its support to innovative SMEs, to riskier projects and to strategic sectors that truly need financing. The EIB could make a bigger and even more crucial contribution to Europe's future growth.
- **Competition without rivalry.** Europe's industry will be stronger if we cooperate, if we avoid the pitfalls of duplicating efforts and competing for state aid among ourselves. This is why we need to agree on spatial: there is no point in developing three different European launchers when our biggest competitors are outside of Europe.
- **All Member States must benefit from our common investments.** There is a risk of excessive concentration of technologies in a few places. It would undermine Europe's cohesiveness. A common industrial strategy should lift competitiveness and create jobs throughout Europe. This is what we have done with batteries and what we will do with semiconductors.
- **Work towards a convergence of economic models.** In an economic and monetary union, the coexistence of those who benefit from the common currency and those whose competitiveness suffers from the common currency is not sustainable. Neither is the coexistence of those who engage in fiscal dumping and those who are forced to raise taxes. On this front, we are committed to reaching an agreement at the G20 on a global minimum tax.

Thank you.