



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

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**Speech at the Graduate Institute of International and
Development Studies**

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Ladies and gentlemen,

Much has been said about the consequences of Covid and the post-crisis world.

I will therefore share thoughts in all humility.

One area to which the precautionary principle should definitely apply is politicians' speeches. Politicians often predict things that don't actually happen while they unwittingly trigger events that they had not foreseen.

This is why I will limit myself to sharing with you one thought, four convictions and one wish that I hope won't be wishful thinking.

My thoughts go out to the families who have been affected by the pandemic and who are grieving for a loved one. My thoughts go out to those who are in pain. They extend to caregivers, nurses, hospital staff, all those remarkable men and women who are close to burn out, yet who still devote themselves to us.

In France, as everywhere else in Europe, we have made a clear choice: health takes precedence over the economy. Health comes first and will always come first.

It's about self-respect. It's about dignity. It is reflected in the decisions the French President Emmanuel Macron took yesterday.

I also want to share four convictions.

My first conviction is that we've learned the lessons from previous crises.



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In Europe, we did not repeat the past mistakes of 1929 and 2008. We did not let down our businesses or our workers.

We learned the lessons of the 1929 crisis and provided massive financial and social support to households and businesses.

Emmanuel Macron's "whatever it takes" is what has saved the French economy. That will allow for a stronger rebound once the pandemic is behind us.

If the handling of the health crisis can be open to criticism, the economic and social response has been robust.

We also learned the lessons of the 2008 crisis. We did not and should not rush to restore public finances. We extended the general escape clause to 2022.

Let me be clear: our priority, at the European level, must be to come back as early as possible to our pre-crisis GDP level, not to achieve fiscal balance. The time will come when fiscal balance will be "the thing" again. But not before growth is back and steady. Fiscal balance should by no means take precedence over growth.

My second conviction is that there is no such thing as a "post-Covid world".

There is only one world. Our world. A world that has proved vulnerable during this health crisis. A world each one of us shares responsibility for.

For centuries in Europe, we considered the earth to be the plaything of our technology. We have relentlessly tapped into natural resources. We have drawn on our reserves. We



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have tried to shape the world to our advantage. We have acted as if resources were inexhaustible, as if regeneration was infinite; in short, we have taken our earth for granted.

The crisis has reminded us of just how vulnerable the world is. It has shown us that living forces can turn against us and transform the world into a very hostile place.

A very hostile world is no longer a home. It is hell on earth.

The environment is the most pressing issue we will have to face over the next centuries.

Should we then abandon scientific progress? Should we let the world return to its natural state? Certainly not!

Undomesticated nature is just as much of a hell. An untamed natural world is fundamentally inhospitable and dangerous. Nature is by essence indifferent to mankind.

No, what I mean is that we should use technology to reconcile progress with sustainability.

We must pave the way for people to live healthier and longer lives without making the earth pay for it.

We must use our brainpower to draw on nature rather than exploiting it, to preserve the environment rather than destroying it.

I'll take one example to illustrate my point: energy.

We will have a massive need for decarbonised energy in the coming decades.



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We will need to rely on decarbonised technologies to produce such energy. This means renewable energy sources, of course, but also **nuclear energy**.

France will continue investing in nuclear power. And we are not the only ones. Among European countries there are Hungary, Romania, Slovakia and Poland, and worldwide China, India, United Arab Emirates.

France is putting forward half a billion euros in its recovery plan to advance research in this area.

We believe that nuclear power is part of the solution to move towards decarbonised electricity generation and we want it to be recognised as such in the European taxonomy.

This won't stop us from investing heavily in other disruptive technologies such as hydrogen. We will invest 7 billion euros in hydrogen technologies as part of our recovery plan. Together with Germany, we want to hasten the development of hydrogen power in order to decarbonise industry and for transport.

What conclusions do I draw from this specific example on energy?

Innovation. Innovation is the only way forward to reconcile technological progress with sustainability.

Innovation is the key to our future world. Innovation is our Swiss army knife: it allows us to fight global warming by observing the Earth thanks to Copernicus; to manage energy use, thanks to artificial intelligence; to produce clean energy, thanks to hydrogen; to develop new nuclear technologies, by investing in small and medium sized reactors.



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My third conviction is that trade alone cannot solve everything. It goes hand in hand with optimizing productive independence.

We need trade for growth. Trade is part of what makes us prosperous. But autonomy is also part of our prosperity. And independence is invaluable.

At the height of the pandemic, public hospitals in developed countries became aware of a key reality: we remain dependent on the production of foreign continents for critical goods. We lacked personal protective equipment.

This dependence affects other strategic sectors for our nation: we lack semiconductors for the automotive industry, batteries for our electric cars.

We Europeans, in a dramatic shift in global powers, have become dependent on Asia and China to sustain our daily lives.

This dependency is dangerous. It is politically unacceptable. It makes us economically vulnerable.

So the crisis was also a salutary wake-up call.

However, rejecting trade altogether is a false solution. Globalisation can serve us well, including to improve economic resilience when caught up in an economic crisis. It enables us to diversify suppliers, it gives us access to the world's best innovations.

Globalisation is here to stay. The fact that the level of trade is already back to where it was in 2019 is alone proof of this. We have a French expression that literally translates



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into “it’s in the cork that you see the wine”. I might add “it’s with a container ship blocked in the Suez canal that you how much global trade has resumed”.

What does this wake-up call mean? It means we need to identify strategic value chains and make sure we secure their development on our European and American continents.

Biden’s America has started such work.

Whatever we may think about it, the American stimulus plan shows ambition. And the return of U.S. ambition is a good thing. The best response to U.S. ambition isn’t to fight it. It is to match it. Europe needs to challenge itself like America does. It needs to be ambitious, to be bold for our competitiveness, our jobs, our innovative capacities.

We shouldn’t get bogged down in complicated calculations about whether we should revert to fiscal discipline in January or September 2022. Our ambition should rather be to revert to strong growth and good jobs for all.

Europe, under the leadership of France and Germany, has made more progress towards shaping a common industrial policy in the last twelve months than in half a century of existence.

Europe is now working on identifying strategic value chains. It is open to public support to foster industrial development. It is developing new competition tools. It is a complete overhaul of Europe’s industrial policy thinking.

Europe’s leisurely pace has given way to a new taste for speed. In a timeframe of less than two years, we will have agreed on important projects of common European interest on



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electric batteries, semiconductors, sovereign cloud and hydrogen. And we are working on new projects in health and biotechnology.

Europe has also scaled up its level of ambition.

We must dare to be ambitious. We will only set one limit to our economic ambition: global warming.

When we launch an IPCEI on semiconductors, we prioritise funding of semiconductors above ten nanometres. But we also remain open to cooperation with Taiwan and TSMC on semiconductors below ten nanometres.

We are considering deploying a low-orbit satellite constellation that would compete with US and Chinese constellations. We are reflecting on the next generation of launchers.

With the fight against global warming as our compass, Europe must reconnect with its spirit of conquest, with its love for progress.

My fourth conviction: we are entering an era of national empires.

The British are an eccentric people. The latest eccentricity of this old empire was to leave the European Union at a time when the European Union was more necessary than ever before.

They chose “splendid isolation” when we chose the splendid unification of our strengths.



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They grieve a dying empire, the Commonwealth, but don't dare to contribute to a nascent one: Europe. It is a pity for them. It is a pity for us, Europeans. We needed the Brits, especially in the field of defence.

The British tell us that the slow vaccine rollout does not argue in favour of Europe.

Sure. But let's look beyond the jobs. Let's look at the balance of global powers over time. What shapes global powers?

Three strategic elements should guide our policy choices in the coming decades.

- 1. Number one is demography.** There is no power without a dynamic demography. Ageing is costly. Public policies should in no way neglect demography.
- 2. Number two is technological innovation.** There is no political sovereignty without technological sovereignty. It used to be a geopolitical rule before quantum computing, artificial intelligence, new energies raised it to the next level. It has become a law.

The only drawback to breakthrough innovations is the huge costs. Such costs can only be borne if we pull our forces together. No EU Member State alone can invest 30 billion euros to advance hydrogen. Together though, we can. No EU Member State alone can build a semiconductor plant. Together though, we can.

Innovation and investment are key to the 21st century. It is telling that China, in its most recent five-year plan, introduced a 75 % research tax credit.



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3. Number three is culture. There is no lasting power without a strong culture. We are impressed by China when it defends new silk roads. We are aghast when they abuse Uyghurs. In one case, China's power increases; in the other one, it weakens.

How does this new balance of power assert itself today?

First, by protecting our technologies. We need to protect our technologies against industrial theft, this is truer than ever. This is the reason why we strengthened the French decree on foreign investment control; this is the reason why we see similar arrangements flourish elsewhere in Europe, as they have long existed in the United States.

We must stand for the economic and societal choices we make. What is the point of decarbonising our economy if production moves abroad and we reimport heavily carbonated goods? This is why we need a carbon border adjustment mechanism in Europe.

Last point: who will belong to this new club of national empires?

China and the United States, obviously. Russia, by default. Turkey, by influence. The European Union too, if it becomes aware that history does not wait.

This is a sprint in which hesitations or delays in starting, implementing and decision-making are disqualifying.

Europe must assume political authority. Europe must stand up for its values, for its democratic ideals, for human respect, for combatting global warming. But Europe needs to find ways to act faster.



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Is that possible only as a federated Europe? I don't believe so. The U.S. cannot be the reference for European integration.

Can we fully integrate while fully respecting individual nations? I believe so. We have to find ways to live with this paradox that is inherent to the European Union: an increasingly integrated Europe, yet made up of strong individual nations.

European integration can and should only be achieved with the full respect of the individual nations that comprise it.

What have we learnt from the crisis? We have learnt that clear and resolute choices will yield the best results.

We have been successful in protecting our economy and in providing the required fiscal support thanks to the European Central Bank and the integrated euro area.

Either we move towards such resolute choices, which must lead to a qualified majority on tax matters, to a common budget for the euro area, to fiscal solidarity, fiscal integration, to a banking union, and then, we will play in the 21st century big leagues. Or, we keep hesitating between paths, and then we will disappear.

The European Union was not meant to become the Soviet Union of the 21st century. It was not meant to collapse because we weren't able to make bold and clear-sighted choices.

There will be two national empires in the 21st century: China and the United States. We can build an empire of nations: Europe.



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Finally, we should decide whom we are willing to accept as our masters: States, or the digital giants?

Which empire has legitimate authority? Which one has none?

Let us be aware that digital giants, if not taxed, if not regulated, if not restricted, may replace the legitimate authority of States, without being accountable to anyone.

It is time to tax digital giants in a fair way.

It is time to put an end to their ambition on currencies. We cannot agree on having a private global business competing with sovereign states by issuing their own currency.

It is time to regulate digital giants, to impose operating rules on the dissemination and use of data.

Empires must not count the digital giants in their ranks.

I will end with a wish: my hope is that the current chapter does not end up in conflict

What kind of conflicts do I fear?

The first one would be a showdown between big powers. Rivalry for the world's leading position could result in a conflict between the U.S. and China. This is why the European Union, the third largest power in the world, should not let itself be dragged into such a test of wills.



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Europe does not have to take sides. It must stand up for its values and interests, which brings it closer to the United States, but it shouldn't break off its relations with China.

Europe was not meant to stand in the middle of the 21st century battlefield. Its destiny is to ensure peace and play a crucial role in global climate ambition.

My second fear relates to climate change. If we are not careful to defend jobs, secure transitions, ensure there is path forward for in jobs that will disappear, we risk a public backlash such as the one we experienced in France with the “Gilets jaunes”.

The climate transition does not mean rushing it. Nor does it mean ignoring all those affected by the consequences of environmental degradation. The fight for the environment must not become the new class struggle in Western societies.

Finally, there is a third risk of conflict: inequalities. Inequalities are a reality of the contemporary world. They must be tackled to prevent deep social and political conflicts.