

24 January 2018 - Seul le prononcé fait foi

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Speech by the French President at the World Economic Forum in Switzerland, on January 24, 2018

Thank you, Professor, cher Klaus.

I would also like to thank the female vice-chairs, an excellent choice for this year, and, in the same vein, I would like to thank our vice-chairs as well as the heads of state and government present here today and all our friends in the room.

Crisis of globalization

You mentioned the paradoxes of globalization. And upon arriving here, the most evident paradox, to me, is to be talking about globalization in a place totally cut off from the rest of the world by snow. One thing is certain here in Davos. When you look through the window, especially when you arrive here in this building, it is really very hard to believe in global warming. Thankfully – and of course – you didn't invite any climate sceptics this year.

You decided to touch on a certain number of challenges here in our environment, and my first response is to talk about these challenges in France and in Europe. I must say that we have already implemented a certain number of measures which I will review here for you and we are going to continue with this same momentum.

But we must not be naïve; globalization is currently in crisis, a significant crisis. And this huge challenge requires a joint effort from international organizations, states, businesses and civil society to find and implement solutions. This is why I think your choice of theme for this year is completely justified and this is why I am here today: to launch a call for action. I call upon all of you present here today: we must act.

Reforms in France

France has been profoundly affected by structural changes and its relationship with them and what is at stake. And while I stand here before you today, a few months ago I was really unsure whether I would be here; I had to battle against a nationalist party, but why? Because the people of my country were focused on misgivings, fears over globalization. Why were they so afraid? Because the expected results did not come to fruition, results were relatively weak: unemployment, public deficit, lack of growth. And we have yet to resolve all of these problems. But also because certain individuals offered the French people the opportunity to simply leave globalization behind.

But this alternative is offered in every country and this has given me a special responsibility: the responsibility of building a prosperous France, a France which is open to the world but also capable of recognizing and accepting and including those left behind by globalization.

We must be able to show that it is fairer for the middle classes. This is the challenge of "at the same time" which I have tried to coordinate in France and which is currently the subject of debate in France. The situation is very clear: we must make France more competitive and more innovative to finance a fair system. It is my aim to make France more competitive in a European context. Let me review the pillars of this strategy here for you now.

Firstly, I would like to talk about human capital. Our world has changed and, today, we need fewer arms and more brains; we need educated, trained individuals. France's men and women must be able to adapt to change and must be educated effectively. We have therefore started to profoundly reform our education system today, and no later than today, to educate and train our citizens because when we look at the rankings – and Angel Gurría is with us on this –, I am sorry about the last few years but, as it stands, we have dropped down the tables.

We must therefore bring about genuine reform for our education system, reform the rules dictating access to university to provide better access. And more generally speaking, we now need to think about how we can better invest in this education system and better reform it. In addition to this reform, we will also reform the

apprenticeship and professional training system. These are two really crucial elements in our education reform. Why? Because if we want to support people in this global change, we must offer them something. These last few years, both the left and the right promised to protect individuals from change. But sometimes we need to step up change! On the contrary, we must stay anchored in reality and provide genuine protection for people, genuine protection which is achieved through training to enable these people to get a job.

We must invest heavily in education and training and we will also make the whole system simpler and more effective. At the same time, we will also have to innovate in our economy, particularly through research and development. We are going to maintain and enhance our tax incentive mechanisms as well as create a fund of €10 billion to finance research and innovation programmes, especially for disruptive innovation. We are also going to develop innovation programmes which we are going to launch. Here again, we will focus on research and human capital.

The second pillar of this agenda or group of reforms is investment and capital. In an economy like that of France, as you well know, the innovation and skills economy requires a competitive financial system, which we have in France but which is focused more on salaries than capital. We require more capital, more funds in this field to finance risks and key innovations. We have therefore also adopted a whole series of reforms to orient our savings in this direction or towards this type of financing. Negotiations are currently under way even on a European and global level to give greater priority to projects, good sustainable projects.

Tangible measures have just been adopted to facilitate this sort of work. We have considerably reduced corporate taxation from 33%. We have also reformed capital gains tax and taken other measures which should enable us to become more competitive. So why are we doing all of this? The ultimate goal is to ramp-up the recovery, speed up the return of our competitiveness and, by reducing labour costs, we will also bolster France's attractiveness. We are therefore investing in innovation financing, notably for disruptive technologies, to bolster this model.

And our third pillar is acceleration and flexibility. In today's world, education and new safety nets are essential to protect people, but we need much more flexible structures and more flexible rules to adapt to change, to help companies of all sizes – large corporations and start-ups – to change business models to adapt to the new environment. This is why we adopted a very important labour market reform last summer whose principal philosophy, in a nutshell, is to align ourselves with Germany and northern Europe, with fewer rules set out in law and far more rules defined by consensus, both for companies and for branches. This will allow companies to better adapt to their environment. This represents a huge change. It makes us more competitive and much more productive and I think that it is a reform that has been long awaited.

Acceleration and flexibility also require a whole series of micro-economic reforms on housing, energy, transportation so as to reduce the overall costs for citizens, improve competitiveness and make our economy faster, more efficient in critical sectors.

The fourth pillar of this strategy is that we have also decided to make France a model in the fight against climate change. This is a huge advantage in competitiveness. We must absolutely stop thinking that climate change and productivity are not compatible. Because we must attract talent, and talent will come to places that are good to live in, where life is good! I do not know whether you really need convincing on this, but either way, we require a strategy which is focused on fighting climate change. We have also adopted a certain number of measures in this field to ramp-up the green strategy particularly as regards CO2 emissions and reducing them, of course.

What does this mean? By 2021, France will be completely coal-free. This means that we will launch more research and development programmes and we have already attracted numerous research projects and start-ups through the Make Our Planet Great Again programme which has brought numerous projects to France.

The fifth pillar of this national strategy – and it is the last one, I can reassure you –, is cultural change. And for me, this is just as important as tangible reforms, laws and decrees, etc. Cultural change is all about moving towards red tape cuts and simplification. France is famous for its numerous regulations and its very complicated tax law. Why? Because we love politics. And I have managed inequalities better than other economies. However, we haven't prevented inequality, we have corrected it using an extremely complex system and these corrections weakened our competitiveness and our growth.

We will therefore adopt a strategy to avoid inequalities and I will come back to this later on, but at the same time we are going to simplify the processes, we are going to streamline bureaucracy and simplify it above all. We have taken a whole series of tangible measures to fuel this change of mindset, change of culture. Over the last six months, we have cut the number of new regulations like crazy and we have reduced the number of bureaucratic steps and we have now passed a law to completely change the relationship between administration, entrepreneurs and citizens.

Next comes visibility. We have to guarantee stability for people, entrepreneurs, citizens, investors. All the reforms that I have mentioned about taxation are aimed at streamlining, and we have adopted a five-year taxation strategy. This is a completely new thing, because it is easy to come here and tell you: I have changed the tax system for this year and then I am going to change it again next year. Because unpredictability is completely counterproductive. Visibility is therefore very important. So this is our strategy, a strategy over five years, and we are not going to change it for the next five years. So this is my commitment, my commitment and my governance.

The third very important point is risk. This is central to cultural change. In France, I have always said that it is forbidden to fail but it is also forbidden to be successful. So you can see that there is a relatively small margin, there is not much room to manoeuvre. Today, it should be easier to fail, which means taking risks. So to reduce the cost of failure, to encourage people to come back and start again and to facilitate success and allow it to happen, we have decided to take a different approach to risk. If you take a risk, you should be rewarded, and if you fail, then you should be allowed to fail. This is what I mean when I talk about the change in mindset, the change in culture that we are trying to bring in France. Because France is a nation of entrepreneurs, it is a nation of people who love taking risks, and it was a big mistake, if you look at our history, not to authorize this risk and not give us enough room to manoeuvre.

Europe

My key message is that France is back. France is back at the core of Europe because there can be no French success without European success. And for me, all these initiatives and reforms have a counterpart, which is European strategy. And I see many European leaders here today, they are dear friends, and we are all working very hard together to make this strategy a reality.

I know that Angela Merkel expressed this vision a few hours ago, and we are working closely on this together. I would, in summary, like you to know that my key strategy for the coming year and this year is to deliver a refoundation of Europe. We must fix some short-term issues on energy, digital technology, migration and investment, this is the programme for 2018. But this year will be the year where we will have to redesign a 10-year strategy for Europe because, in the current context, Europe has a responsibility and a role vis-à-vis China and the US, because our vision, our DNA, in terms of the relationship between freedom, justice, fairness and individual rights, is unique. You can only find this balance of values in Europe.

There is a strong preference for freedom in the US but the approach to fairness is very different. And in China, aspirations are different again. But it is the relationship between these four values that are the basis for our multilateral approach and our approach to globalization. This was created in Europe, and we need a stronger Europe to avoid the fragmentation of the world; this is absolutely key. My view is that we have to redesign a 10-year strategy, not just an overnight strategy. To make Europe an actual economic, green, social, scientific and political power. We need a new strategy for European power in these fields and we therefore need more ambition to achieve a more sovereign, more united and more democratic Europe.

Migration, digital technology, energy, defence, development, finance, investment – the core of what makes us sovereign in this environment – will be at the heart of our common policies.

I am not naïve, we are not going to build something sufficiently ambitious as 27 countries, and by that I do not mean that it is impossible as 27, no, I just mean that we must start by working as 27. But we need to be more ambitious, for an open avant-garde of Europe to achieve something in these critical fields that I have mentioned. We must not wait for everyone around the table to be ready to make progress.

So if some are ready to be more ambitious and push ahead in what makes us sovereign in this global environment to defend our values and interests, let's move! We are open, the window and the door is always open. But those who do not want to move forward should not be able to block those in this room who have ambition because I think that it is ambition that will enable our Eurozone to become stronger, fairer, more ambitious and more capable of delivering a coherent message about what we wish to achieve in this environment.

Last September, I made a big speech on this issue, we have worked hard on this, but I hope that with my friends here in this room, we can work together to draw up this shared strategy for the next 10 years by the end of this year so that we can give our people and the rest of the world visibility of a new power capable of cooperating.

Because, my friends, I would like to make a confession: I want France to find its rightful place in global competition and that the condition for that is a stronger Europe with new ambition. But this is not an end in itself. Economic growth is not an end in itself and I think we have often made the mistake, in recent times too, of making speeches that say: you will see, everything will turn out for the better, because there will be growth

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Responses to globalization

We can ensure that growth is one or two percentage points higher, this is the battle we are engaged in, but it does not sort out all issues. Economic growth is not an end, it remains a means. I would even go as far as to say that the desire for economic growth has sometimes made us forget what people are prepared to accept to obtain it. The globalization crisis that we are currently going through is linked to this. The world is fragmented by a series of new economic and geopolitical phenomena, some of which we could have anticipated, which are related to this fracturing.

Firstly, we thought, or we had people believe, that growth affected everyone, we said: more growth will resolve all the problems in emerging countries, in intermediate countries or developed economies. This is not true because this growth is becoming less and less fair from a structural perspective. All international analyses have shown, be they by multinational institutions or NGOs, that wealth is always concentrated in the top 1%. Why is this? Firstly, the way we have financed globalization has promoted the concentration of wealth, and secondly new technologies, this new innovation and skills economy that I mentioned earlier, because it is an economy of superstars. It favours very talented people and concentrates wealth on the most talented people.

A tax system in every country cannot be the answer, we would need to coordinate ourselves very carefully, because otherwise the talent will leave. I can assure you, France has tested this method very well. Lack of cooperation and coordination does not work! It is not a good idea. However, not reacting at all to this issue is not a good idea either. People tell us: "we are in a great world, distances are getting shorter, everything is getting faster", but in our societies, everything is becoming divided again.

We have societies which are composed of nomads who make great use of globalization and whose life, whose daily life, whose fate is closer to people who are in Bombay or San Francisco than the people who live on the same floor of the same building. This creates a genuine risk for democracy because it produces a misalignment on issues and subjects, and what makes democratic consensus. This is what we are heading for. Here, in this room, we think about these issues, but only a few tens of kilometres from here are people who firmly believe that the solution is to leave globalization behind, and more and more people are convinced that this is the right answer.

As you can see, the challenge facing us is far from small. The challenge does not just concern governments. Firstly, for several years now I believe governments and states have been going in the wrong direction. We are talking, in part, about democratic challenges. Many governments are tempted to respond with a nationalist approach saying "you're right, this is not okay, we are going to close our borders". Then there is the fear factor – large-scale migration, terrorism, major technological changes: these are challenges which require international coordination. I am talking about Europe but also much wider than Europe. If we cannot cooperate then we cannot solve these challenges and we will always be looking for comparative advantages over each other. And the drive for comparative advantage always pulls us down. It is a race to the bottom on all these issues.

Multilateral cooperation

This non-cooperative race fundamentally prevents us from meeting these fears and what keeps our nations together. I believe that states have been going in the wrong direction because the tendency recently has been to make multilateralism more fragile in the face of these issues. Be it the UN, the IMF, the WTO, more and more people have attacked these institutions, saying: "We are going to take our rights back, we have our own approach, we are creating alternative systems". We should make no mistake, all these structures grew out of what Professor Schwab was talking about, this period in history where we saw what happened when governments adopted this approach of non-cooperation in the face of long-standing fears. And so for several years, we have been approaching this subject from the wrong direction.

If you look at labour and tax law, all those subjects which are, to some extent, the core of a state, we can see a big lack of cooperation and a continuous weakening of positions. I have already explained what I am doing for France. France was somehow very out of step with the rest of Europe, it was far above the European average on all of these issues. But when I look at the current global momentum, the momentum on tax or labour issues is in the direction of continuing to explain to people: friends, the right answer is to cut back! The best response is to cut taxes! There is no limit! It is a race to the bottom!

This is true for the labour matters as well. If we do not define a standard for international cooperation, we will never manage to convince the middle and working classes, that globalization is good for them. This is not true! This is not true! Regarding trade, we are going back to strategies that are not cooperative, towards protectionism, towards breaking up what the WTO has done and the threat of certain regional agreements, and we are unravelling what globalization has accomplished. And regarding the climate, many were with me on 12 December in Paris: we are not living up to our commitments – in other words, we are losing the battle. 2020 is

not the time for another conference. If we have not delivered concrete results, we will not be in a position to explain to people that they are increasingly vulnerable, we will have been fully aware of what we have done.

Therefore, regarding all these issues – which are issues I would say that we know well and around which we have been able to organize ourselves –, we are breaking up our international organization, we are weakening it. And on top of that, there are new issues that we had not yet seen: accelerated urbanization, large-scale migrations and technological change that you have perfectly explained. And each brings with it new inequalities, new changes that scare people a great deal and that too often we consider in an uncooperative way. We have not established a global organization that allows us to think about all the consequences of these technological changes, artificial intelligence, for example, or Big Data. Today we have a strategy that is completely uncooperative regarding these issues.

In Europe, we do not yet have a real strategy. In the United States, there is a strategy that is left to big private sector companies that we all love and use on a daily basis on our devices and our Internet platforms, but which have privatized this issue with all its effects in terms of individual freedoms and confidentiality. And in China, this issue is managed in a completely public way, with data controlled according to other standards than the ones we are seeking. But there has never been a multilateral approach to this issue that is set to destroy millions of jobs, change privacy rules and thereby shape how citizens see the world. Yet in the future, it will change medicine, knowledge that I have about you in terms of whether or not you can be treated, and even national solidarity.

In other words – and I do not want to paint an even worse picture –, we are doing everything we can to encourage these technological changes in France, but we are not being careful. If we do not establish some kind of framework for them, Schumpeter is very quickly going to look like Darwin. To live in a completely Darwinian world is not good. And it is certainly not good for our populations and for all of those who, living in democracies, are the ones to decide this.

Faced with these realities and transformations, and I would like to finish with this question, what are our challenges and how can we address them? And aside from what we are doing in our countries and what we need to do for Europe, I think we still have to find some sort of framework, some basic rules for the common good. We have common goods and these goods are now global. They include sustainable economic development, the environment, health, education, security and social cohesion, human rights. And we can never decide to renounce them. And we must in our strategies and in our approaches manage to set them out and create effective forums to sometimes refine regulations on these common goods in a cooperative way.

I say this with governments but also the private sector in mind. No one can accuse me of not being business friendly; no one can accuse me of not having a positive approach to openness, to economic development. But I say to you frankly here today: this approach must produce results. In a way, this is my job, the job of the government and I hope of all those who in the private sector will come because they have confidence. This will help them generate jobs and develop.

Even in France, if I do not give meaning back to this globalization, and if I do not manage to explain to people that it is good for them and it helps deal with daily problems and they have a role to play in it, in five years, in 10 years, in 15 years, the nationalists, the extremists, those suggesting we leave this system, will win. And this will be true in every country. And so we cannot simply watch in fear saying how awful it is when nationalists, extremists and people with terrorist or inward-looking messages in certain other countries win. No, the challenge is now in our own back yards and we need to determine whether we know how to rebuild a genuine global contract and a genuine contract that is not that of governments.

I am being very frank in saying that if this contract is not included in the investors' model, banks' model, in the entrepreneurs' model, if every man and woman does not consider that they have a part in this global contract, then it will not work. For someone will always be tempted to use an uncooperative strategy, because there will always be some type of reward for free-riding. And the enemy of the common good is the free-rider. And we are falling into a situation where in our globalization, a majority of powers are becoming free-riders of common goods. That is what we are experiencing today.

I think we need to base this new global contract on three commitments: the duty to invest, the duty to share and the duty to protect. I am sure that I have not covered everything and will not be able to touch on everything today. I will forget many topics because I do not want to be too long, but I would briefly like to explain these duties. The duty to invest means the states and the private sector need to invest in the common goods I just explained, especially health. But there is one area in which we have not been doing enough and that is education.

Education

I talked about it in the context of France's strategy. We must also have this conversation in Europe and all over

I talked about it in the context of France's strategy. We must also have this conversation in Europe and all over the world, particularly in continents facing the most hardship. There are 750 million adults, two-thirds of whom are women, in the world who do not have the basic literacy skills. So if we have a priority for investment, it should be the education of girls. Because everywhere we do not invest in education, there will not be growth in the country, which means we will continue to have a predatory investment strategy in foreign countries in which we have invested.

And if there is not investment for girls, there will be no gender equality. Women will not have a role and very often in the most difficult societies, when it comes to culture and sometimes religion and the economy, the solution lies in women and they are the ones building it. And the choice of certain countries to decrease the education of girls is deliberate in some places and we cannot stand by and say nothing. So to address this problem we need to invest massively. In Africa, in 2015, more than 101 million children were not enrolled in school, including 53 million girls.

So next week, I will be with President Macky Sall and we will work to rebuild the Global Partnership for Education. It is essential for all states here today to commit massively. However, I would also like to see – and this has never been done before – investors and businesses commit to investing a euro for the education of girls for every euro they invest in Africa! If not, that means you are investing over the short term because when you are planning to open a mine or a transport infrastructure, this is wonderful – generally governments assist you and provide guarantees, there is plenty of funding available to help you to do that – but now you should do something to truly stabilize the country.

Therefore it is absolutely essential to establish a genuine public-private contract when it comes to education and its investment. And more generally, you have understood, investing in development, having a much more ambitious development strategy than the one we collectively have today is imperative if we are to avoid this fragmentation of the world.

Value-sharing

The second duty is to share. Sharing value is a debate that is older than we are and one that has always contributed to capitalism. But there is a crisis of contemporary capitalism. It has become a capitalism of superstars and based on finance, and we have to admit that the spreading of value added is no longer equitable. Sometimes we say that it is not that distorted but that is because we fail to consider how much superstars are being paid for their work. We therefore have to establish real mechanisms to share added value. I sincerely believe in widespread use of profit-sharing schemes and social and environmental responsibility systems.

You have understood that I do not believe that the response lies in taxation in a country. But the more businesses take on social and environmental responsibility and decide to discuss, within the company, the fair distribution of the benefits of growth and success, when it happens, the more attention there will be given, in investment mechanisms and investment criteria, to value distribution within the company, causing the company to endure, the more we will build truly sustainable capitalism in terms of sharing.

Do not be mistaken, the companies in this room that have been around the longest are those that have many more value-distribution strategies and genuine employee profit-sharing strategies than other companies. And again, I sincerely believe that the solution lies in companies and investors which have this greater equity. And when I speak of equitable sharing of value in companies I am also referring to gender equality. We have launched a strategy in France in this area to bridge the unequal pay gap in my five-year term. We are taking the initiative with the World Economic Forum to introduce indicators and I think that it is very important to have more visibility in the area in the private sector and I would like to commend you for your very strong commitment to this issue. However I also think that we must collectively go further and I welcome the commitments from Justin Trudeau regarding the G7 and who decided to put this issue on the top of the G7's agenda as Canada will host this year's summit. I today reiterate that he can count on my full support.

If we also want to share value better, it must be done across all sectors. Taxation is a key issue that I briefly raised when I spoke about the challenges of the contemporary world. If we want to better share value and better share the financing of common goods in today's world, we must also have a much more coordinated tax strategy at global level. The "race to the bottom" means the end to the financing of common goods and any amount of sharing. That is where we have a great deal of collective work to do so as not to head in the wrong direction.

The OECD has done a massive amount of work on this issue which has enabled progress to be made on the base erosion and profit sharing (BEPS) initiative. We signed a multilateral convention and France has begun the ratification procedure. This is a key treaty and I strongly encourage the United States and China to sign it. It will not be effective if the United States and China are not involved. There is no real discourse on globalization if these two major powers are not taking part. Because it is a genuine partnership agreement on this issue to avoid base erosion. It is the decision we made to have a peaceful tax cooperation framework that prevents tax

optimization strategies of groups and companies, and to promote morality, it has to be said, in the way profits are made.

I am very frank in saying that if you believe everything you have heard or the things you considered relevant or everything that you could have said in Davos, then you cannot continue to conduct tax optimization as it is being conducted today and you must join this fight. Because that would only mean that you consider that your sector, your business must finance common goods because we are in a world in which common goods need to be financed. And therefore we must renounce unbridled tax optimization and I hope that we can advance even further in this area.

There is obviously a second topic that is extremely important in the area of taxation, which is figuring out actual taxation globally of digital technology. Big tech companies are essential to our societies in terms of innovation and I have always welcomed them in France. Every one of us wants to have them in our countries and wants to develop them, so let's not be hypocrites. But at the same time, we are seeing a dual injustice. I cannot say to a start-up in my country that it is going to become a market leader when the big tech companies do not pay taxes in my country, and the start-up does. And I cannot say disruption or technological change is a good thing when these big tech companies create changes that I would like to support and make happen but they do not pay taxes. Yet the start-up they disrupt in its business model pays taxes, including VAT, corporate tax and so on. It is not a fair model; that is clear!

So we must end this unfair system and we must do it together so as not to reduce the competitiveness of any one country because of course, since we did not create a level playing field from the outset, we have created "tax-attractive" hubs. We must do this in a relaxed way, as it is a common good and because the major digital technology players cause disruption, this will destroy millions of jobs around the world, and we will have to retrain millions of people. Education is a common good, and as I said, it must be paid for. If those who are destroying jobs do not help fund this retraining, including to create jobs in their own sector, I don't know how you or I could explain this to the middle and working classes. So we must find the right tax cooperation framework, and I hope that we will find it in Europe this year, I hope that the OECD will find it this year and that we can achieve international cooperation on this absolutely essential issue.

Financial regulation

Achieving this cooperation and better sharing means regaining the vibrancy of our financial cooperation, and our trade cooperation as we did following the 2008 and 2010 crises and which we have since then somewhat lost. And I would like to make some proposals on this issue: I am in favour of the IMF having the mandate to monitor the entire international financial system, entire sections of which are currently unregulated. We built the IMF, it gained legitimacy, it monitors states and part of the financial system, but it does not monitor the most deregulated actors and those working hardest to bring about deregulation! Bitcoin, virtual currencies, shadow banking, the most aggressive players on the financial markets, the ones who can create financial crises and deregulate systems, we have said, "They cannot be part of the IMF".

We must discuss this issue, and I would like it to be discussed at the G20. I will see our Argentinian friend, President Macri, at the end of this week in Paris, and I know that he wants Argentina to provide strong G20 leadership, and the FSB has a crucial role to play in achieving this, and I want us to remain on this path to achieve increased regulation.

We must also look at regulation from the perspectives of the principles held by the main international digital technology and innovation actors. There is financial instability as I have just mentioned, but there is also instability in our societies linked to technological innovation. We do not currently have a framework to examine when we will decide to stop this innovation, as it will have to be done at some point. At what point will we say that artificial intelligence is a red line as it does not disrupt old production systems, but rather our relationship with individual freedoms and respect for privacy, because this undermines the integrity of humans and living things, there are philosophical issues and matters of principle which we must examine.

We must have the framework of international cooperation to limit this, to encourage technological innovation and help the major Internet platforms to continue developing our start-ups and innovation, but to be able to decide on the principles which cannot be decided by economic actors but by states. I want us to discuss this absolutely fundamental issue at the G20.

Social protection and climate

Finally, the last challenge is to protect, to protect socially, climatically and against terrorism. This is a duty if we want to remain in control of globalization and that also shows the importance of states in some of these challenges, and the return of states. For decades, we thought it very fashionable to say that states are finished, that private actors are the only way forward, but to rise to these challenges we do need states and international

cooperation.

As regards social issues, we must buck this trend of unravelling our social legislation to adjust globalization and on that too, I would like us to have a discussion at the G20 so that the monitoring carried out by the IMF and major institutions, among others, would include monitoring national reforms for social cohesion, and so that support can also be provided on these issues, so that we in Europe look at social convergence when providing particular assistance to cohesion mechanisms, so that our mechanisms can have criteria for monitoring the social convergence between our countries. And we must stop the complete contradiction of saying this in international bodies, while sometimes asking countries, the same ones, to relax their social legislation to be able to make adjustments at suboptimal level and which does not provide the minimum protection which is fully required. And thus on social issues too, I want to restore the strong dialogue between the ILO and the IMF, and successfully set up such criteria.

We have discussed climate a lot and made many commitments, but our actions have not yet matched these commitments. I would like to commend China's strong commitment to continue to observe the Paris Agreement and to set up a carbon market, which is an essential part of our shared action in the area. This Forum was opened by Prime Minister Modi, and I would like to commend India's commitment to the International Solar Alliance; he has played a key role and this too is an essential part of the transition.

But we must now see actions which are in line with the Paris Agreement. What does that mean collectively? Firstly, the European Union must go a little further and decide on a floor price for CO₂. If we cannot do this in the coming months, we will not be credible, we have set up a carbon market, we must speed up the transition for our actors and we must thus have a minimum CO₂ price and change the production model in Europe to bring it in line with these commitments.

Secondly, I was in China a few weeks ago and was very impressed by President Xi's diplomatic initiative, which he presented to you last year, but this means that the entire One Belt One Road initiative must be in line with our climate commitments. These new silk roads must be green, they cannot be roads to the coal plant, they must be roads to renewables, to energies which reduce CO₂ emissions, and we must all cooperate to uphold this commitment.

Thirdly, this means that we must continue to go further and by 2020, I would like us to be true players in a Global Compact for the Environment which would be a genuine legal watchdog for our companies and a tool for environmental justice for our citizens.

Finally, the private sector must play an active role in these commitments, 12 major initiatives were taken at the "One Planet Summit" in Paris on 12 December, and I hope we can monitor them regularly and that all investors, all major donors and companies which have made pledges can issue regular reports and demonstrate that the private sector is fully committed.

And the financial system must support this transition by fully promoting green finance. I think that finance is a good thing, as I have said, we are not financing innovation or its changes, but it must also finance a sustainable development model and Europe has a key role to play in this area, in the European Union and the Eurozone we must have a genuine green financial market capable of accelerating the funding of these transition models.

Terrorism

This duty to protect is a duty to provide security to our nations and citizens. As I conclude, I cannot, of course, bring up this essential issue without sharing a few convictions. The first is that we are and will remain enduringly committed to fighting terrorism. Our security forces are currently serving in a range of conflicts, whether against state powers, or against terrorists with varying levels of organization, in Africa, the Sahel and many other regions of the world. In this fight, we must continue working within our military and diplomatic coalitions, with clearly defined principles.

I want this fight to continue multilaterally, we cannot leave this framework which would be like acknowledging that the fight against terrorism must lead to the world being restructured and divided. We are combatting organized groups who want to destroy others but this must not justify dividing up our global environment. And maintaining multilateralism also means maintaining a strategy in which we put pressure on regional powers causing us concern such as Iran or North Korea, while never engaging in escalation or the division of certain regions.

Lastly, this fight must always take place in a diplomatic and political framework, because without a diplomatic and political solution to the fight against terrorism, terrorism will come back. We must be honest with ourselves; sometimes we have created situations which have led to terrorism by trying to unilaterally remove a tyrant because we did not wish to resolve all the problems. We cannot supplant citizens' sovereignty, assuage their frustrations, and sometimes their suffering, and so only stable, pluralistic, sustainable political solutions can

institutions, and sometimes their coming, and so only stable, permanent, sustainable political solutions can strongly fight terrorism because they prevent these frustrations from returning in different countries.

And so our role, is not only to win the war against terrorism, but to put in place the conditions for sustainable peace in the regions of the world that are currently engaged in this fight. The Middle East and, of course, Africa, come to mind. Our cooperation is indispensable on these issues, as is our strategy for building peace because everything is interlinked and we must give back meaning to the globalization that we are supporting in these regions. This is where development policy and our diplomatic policy are inextricably linked to our military policy. If you work to fight terrorism in a country but you have no development strategy, no education strategy, you can make great progress and claim victory, but the causes which led to terrorism will still remain.

This applies to this entire global agenda. Terrorism came back in the Sahel because we did not step up to the plate on development, because we retreated on education, because we did not meet the challenges of climate change and the shrinking of Lake Chad, which has caused a genuine economic and moral crisis in the whole region. And it is the jihadists and their various associated groups that have provided the solution. And so you see, the fight against terrorism might be a military fight, a diplomatic fight, but it requires us to tackle all the challenges that I have just mentioned.

As you can appreciate, and I would like to finish with this, the core of the new global deal is not only to involve all stakeholders, but we must also be obsessed by fighting the free-rider strategy, which also requires us to be coherent in our approaches. We should no longer sign trade agreements with those who fail to respect our shared standards on the climate, health, tax and labour. We should stop discussing certain subjects with powers if they no longer fulfil our criteria. We should have a coherent agenda on public goods. This will not happen overnight but we should be honest about our incoherences – something that we are progressively doing – rather than continue on our diverging paths and enhance our incoherences.

This framework must be based on cooperation and multilateralism and must absolutely not be based on a new sort of hegemony, a fascination with new powers as this would be a huge mistake. We currently have a huge responsibility, because this new framework is the only way of protecting our interests, common goods and populations in the long-term. The answer can partly be found in this room and to a certain extent the new barriers are not technological or geographical barriers but rather our commitment, we are our own barriers in our own conscience.

If we commit to making globalization fairer, favourable to the middle classes, if we commit to taking into account the long-term complexity of our decisions and not just their short-term results we can come together and build a new globalization which is understandable and good for our citizens. Coming back to this great idea of progress, we, as governments, as businesses, have the solution but we must simply answer one question: do we decide to act, to forge ahead or not? Now is the time!

Thank you.