

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

**ADDRESSING THE GLOBAL CRISIS
AND BEYOND: A FRENCH POINT
OF VIEW ON THE EVE OF THE G20
MEETING**

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SPEAKERS:
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JESSICA MATHEWS: Good afternoon. I'm Jessica Mathews, president of the Carnegie Endowment for International Peace. It's a great pleasure to welcome you all here, and an even greater one to welcome Mr. François Fillon, prime minister of France. The timing of this visit could not be more important, coming as it does just before the G-20 summit, a meeting that I think it would be very hard to put your finger on any other international gathering in recent years that is of greater importance to the world's future than this one, so we are particularly interested to hear what the prime minister has to say today.

You have his biography, I think. I will just take a minute to remind you that he has been a long-standing political actor in France, a member of parliament of both houses for 20-plus years, and held several cabinet positions for higher education and research, for telecommunications and postal services before being appointed prime minister by Monsieur Sarkozy.

As I said, we are facing a global crisis of probably unprecedented proportions, one that has proven able to spread with frightening speed around the world. The contagion is extraordinary. None of us can deny the benefits that have been brought by globalization, but we are witness now also to its tremendous risks, and it has become very clear that the answers lie most of all in the capacity for countries of the world to work together.

What will be the right balance between a focus on short-term stimulus versus the one on long-term regulatory reform; how we will manage the forces of protectionism; how we can do more to strengthen the IMF and the other international institutions with whom responsibility lies – all of these things I think are very much on all of our minds and we are very eager to hear the views from one of America's most important allies.

We welcome you here today, Mr. Prime Minister, and are eager to hear you.

(Applause.)

PRIME MINISTER FRANÇOIS FILLON: Ladies and gentlemen, I'm sorry; I am not going to speak in English because I had a very bad experience last year here in Washington. I did a speech in English. I had no problem with the people who listened to me. They seemed to understand what I said, but I had a problem with the French press, who spent about a week joking about my French accent. So I am not going to give them another time this visit. (Laughter.)

(Note: Prime Minister Fillon's remarks are delivered via translator.)

PRIME MINISTER FILLON: Ladies and gentlemen, the time of the crisis is also a time for controversy. Over the past three months every time a government has taken an initiative it has been considered excessive by about 30 percent of the people, insufficient by about 30 percent, and useless by the others. Andrew Carnegie warned with humility, "Do not look for approval except for the consciousness of doing your best." That is why I think that the age needs pragmatic government, independence, and government which acts with the strength of the convictions, regardless of difficulties.

President Obama's election generated enormous hope from this point of view here in the U.S. but also in the whole world. Two events actually are going to take your president next week to Europe, the G-20 in London, which, as the president just reminded you, is going to be a major stage

in the shared management of the present crisis. And the NATO summit, which will take place very symbolically both in Strasbourg in France and in Kehl in Germany, just across the Rhine. I'm going to tell you as of today that the welcome in Strasbourg for the president will be consistent with French-American friendship. It's going to be generous; it's going to be an enthusiastic and fraternal welcome. French-American friendship, no need to tell you, goes back to the war of independence. It was renewed in blood on Normandy beaches. France is ever your friend and your ally, but it remains the France you know – that is to say, a proud country and an independent country. Though our strategies sometimes differ, we act together in the name of the same principles and for the same values.

In Afghanistan a few months ago the French president and my government have decided to strengthen France's military commitment alongside its allies because we're convinced that the fight against terrorism and the fight for stability of this wounded country should not decrease. Since the 1990s you know that France little by little has become once again one of the main contributors to NATO, and the decision that we have just taken, which I have committed the responsibility of my government a few days ago with success – otherwise I wouldn't be here to talk to you – is going to take us to participate fully again within the military structure of NATO, which is showing you how we trust the Atlantic Alliance.

For us the Atlantic Alliance must be compatible – and this is the bet that we have decided to make – compatible with the simultaneous development of a European defense that would be more solid, which would of course allow us to shoulder much better the very heavy burden of ensuring security on both sides of the Atlantic. And so on April 2nd in London we will have the G-20. I was saying at the outset this is going to be a decisive step in order to put the world economy back on track.

The responsibility of world leaders around the table in the G-20 toward global public opinion, which is legitimately troubled, this is a great responsibility. In the face of a crisis of unprecedented scale, we must show that we are capable of providing real answers, not just announcing good intentions. In London it will be our duty to achieve concrete results. Four topics demand this: first, reform of international financial regulation; support for growth; rescuing banks, rescuing the financial system; and finally, supporting the most threatened countries. If a single one of these four pillars is lacking, is absent for the agreement that we will accept at the end of the G-20, then I'm convinced that it will not be a long-lasting recovery because there will not be any real trust in our economic system.

I think that our chances of success are real. I've been encouraged to be optimistic by reading a recent headline in *Time* magazine announcing that the United States was becoming the United States of France. Well, there was a lot of exaggeration in the article, but there were also I think two useful ideas. The first is that major crises are the right time to drop our prejudices. And the second, at least let me think so, is that old France, perhaps on behalf of an original model, had a few words to say in the current debate.

With 40 percent of world trade, the trans-Atlantic axis remains the backbone of the global economy. Today the United States is the leading foreign investor in France, and France's first client outside of Europe. Here in the United States 550,000 Americans have jobs in French subsidiaries. This shows that our economies are deeply integrated and deeply interconnected. To believe that the crisis which emerged in the U.S. would stay in the U.S. was almost as naïve as repeating “what

happens in Vegas stays in Vegas.” It was to disregard the fact that several European banks had also resorted heavily to securitized products based on toxic assets. And it was to disregard as well the fact that several European countries also had real estate bubbles, just like the bubble that started the whole crisis here in the U.S.

With the collapse of credit we went from a financial crisis to an economic crisis, but above all this crisis has become global. Developing countries which were thought to be protected by their less sophisticated financial systems have seen their exports collapse and external financing sharply curtailed. According to the World Bank, with each lost point of growth, 20 million of their inhabitants sink below the poverty threshold.

On this observation I think that we must say that the errors, our common errors, are obvious. First, macroeconomic policy didn't take into account at all the risk increase. They let the financial and real estate bubbles grow. They encouraged the rates for high returns beyond what was reasonable. Fact two, we have done a poor job regulating the financial system, allowing some operations and some actors or territories to proceed without any restraint, any regulation, without any framework. We must study together how we can correct our mistakes. That is to say, how we can renew capitalism.

We all know the virtues of capitalism, which stimulates initiatives much better than any other system. Capitalism creates wealth much better than any other system, but it is not because capitalism is a system that we approve of, and that we think is the best economic system that we should allow it to drift beyond the objectives that have been determined at the outset.

It is essential to promote a responsible capitalism based on two requirements: first, defining a new equilibrium between the public authorities and the market. The aim is not to have the economy needlessly burdened by the state, no. Rather, it is to recognize that in social affairs or in terms of industrial strategy, to take an example, the state may have a specific role to play in regulating competition or helping companies to develop. Next, we need to promote a more ethical capitalism; that is to say, a capitalism that is capable of preserving the long term and of encouraging the personal development of all. It is the creative capitalism which Bill Gates and Warren Buffett in a recent book believe not only possible but necessary.

So in concrete terms, what to do: At the end of '08, the Europeans launched a bank rescue plan. They did so by trying to guarantee what you call level the playing field. Banks which committed errors must not, through state support, derive advantages over those banks that were well-managed. We are endeavoring to respect this rule in Europe, and I don't doubt – this is what has just been told me since the beginning of my trip here in the U.S – I don't doubt that this concern will also be shared by the new American administration. Beyond the bank rescue plans, all the European Union member states have also implemented stimulus package to re-launch the economy. As opposed to the idea that you hear, especially here in the United States, these plans are massive, since they account altogether 400 billion Euros, 3.3 percent of the European GDP.

Is this less than President Obama's stimulus plan? I consider that this discussion, this debate is futile. The French stimulus plan, just to take an example, will inject an additional 50 billion extra Euros in the economy in '09. In evaluating this plan, the IMF, which showed it in a more modest light, fails to take into account our country's built-in automatic stabilizers, which are very strong in Europe and especially in the French economy. These economic and social stabilizers are social

expenditures which increase as a crisis worsens, especially if you take into account the unemployed and people whose social situation becomes critical. Just for 2009 and on the basis of recession provisions, relatively modest compared to the rest of Europe, we're going to be at minus 1.5 percent in Europe, these social stabilizers represent 30 billion Euros. So 50 billion Euros for the stimulus plan, plus 30 billion Euros for automatic stabilizers, that's 80 billion Euros. We are in a ratio which is quite comparable to the plans decided in the U.S. or in other European countries.

So it is true that beyond these comparisons, a little bit simplistic, the situations of different countries are not quite comparable. French households, for instance, have only very little debt in terms of housing, and the retirement system in our country is not really resting on market capitalization. In short, in view of the country's means and assets, the French plan is far-reaching, and of course I'm extremely vigilant to the respect of a certain measure in the public deficit. I don't think it is our interest in France or in other European countries to create a public debt bubble. Of course we have to invest in the recovery, but all the while trying to think and remember that the crisis comes from an excess of debt and it is not going to be settled by more debt.

Over 50 percent of the measures in the French recovery plan will respect the rule of the three Ts – timely, targeted and temporary – thanks to which we will be doing the maximum so that in 2012 our public deficit will be back around 3 percent of GDP, which is the maximum aim determined by the treaty governing the European currencies. That's what I was explaining earlier to American colleagues. That is to say that when we decide to increase our debt, we also have to do it in coordination with all the other Euro members, since we have accepted a common discipline.

In France we wanted our recovery plan to stimulate our potential for medium-term growth, public investments. The stimulus given to training and occupational re-training, the tax cuts for new investments will bear fruit beyond the crisis per se. We wanted these to complete the extensive program of economic reforms that my government has been carrying out since 2007 on President Sarkozy's initiative, and then to the 35-hour week, pension reform, and the easing of the tax burden. Large tax credits to stimulate innovation, today in all OECD countries we have this tax credit system for research, and in France we have the highest one, the more efficient one. We have also decided to go towards the autonomy for our universities, which creates a few tensions in a country that since 1986 had decided to put its universities under an absurd regime.

All these reforms show how France is actually modernizing. The reforms will be pursued because not only do we want to get out of the crisis, we want to put it behind us, but we want to emerge stronger and more quickly than what brought us into it. To do this, our strategy for dealing with the crisis is heavily targeted to investment, but is also essential to maintain consumption, which is today the main force driving the economy. So we have increased social allowances, we have decided to lower household taxes – that is to say, middle class households – for two consecutive years, and we have decided to redirect all payments paid by banks to the state to spending in the interest of social solidarity.

There is another false debate that I would like to clarify. Some observers criticize Europeans with persisting in defining new regulations instead of focusing their efforts on economic recovery. This is either the house is on fire, and first of all let's put out the fire before you start talking about the future architecture of the financial system. We think that this is an incorrect view of the situation. We think that economic recovery and financial regulations have to go hand in hand. We believe that only the market can ensure economic development and the creation of wealth, but the

crisis reminds us simply that the market does not work properly without some regulation. Regulation is not at odds with the market. On the contrary, regulation makes it more reliable and strengthens it.

There is not, on this fundamental question, any real divergence between the United States and France. President Obama was very clear on these two fundamental aims of the G-20, which are recovery and regulation, and he refused what he called a race to the bottom in terms of the regulation. We all know how to treat the symptoms without taking structural problems. This would be a waste of money. We are not going to regulate for regulation's sake. This is not an ideological position. It is just a question to treat technical problems that we have seen through the crisis and we think its effects are devastating. Therefore, we need more transparency, we need more oversight. This is a responsibility with respect to the taxpayer, who is being asked to bear a lot in these difficult times. This is the condition for the return of confidence.

In Washington on November 15th last year, the European Union proposed a general principle that all markets, all territories, and all actors presenting a risk for the financial system as a whole be subject to control or oversight. This principle, which was adopted by all participants, now has to be applied, even if it entails upsetting some comfortable financial situations. I'm testing our common resolve on this.

The meeting of the finance ministers and central bank governors on March 14th revealed that a consensus was near to being reached on three key ideas: first, on the idea that hedge funds must be subjected to real oversight. It is truly unacceptable that traders who are sometimes responsible for half the global stock transactions in the world are not registered and not required to comply with transparency regulations. Second idea, rating agencies, whose shortcomings helped fuel the crisis, must adopt stricter regulations with regard to conflict of interest: specific ratings for complex products – it is not possible to give the same rating to complex products and others – and they should make it a practice to regularly publish their performance. They are very strict concerning the performance of the people they are noting; it would not be abnormal that they themselves could be under the same rigor, under the same quality regulations. Europe is about to adopt draft legislation on this and I hope this is going to become a consensus during the G-20.

More broadly, we must return the principle of responsibility, so dear to President Obama, to its rightful place at the center of the system. Can anyone claim that the exorbitant payments in the financial sector are legitimate and that they are socially just? Or that they have not encouraged excessive risk and short-term calculation because they always keep going up? You never see these exorbitant remunerations go down, ever.

On two other issues it seems that consensus is emerging more slowly. Even if I noticed during my talks yesterday and today that things were moving on, moving forward, I refer to noncooperative jurisdictions and accounting standards. The first topic: There are always a few states who still reject international cooperation in the fiscal domain. Others fail to apply any serious rule in credential matters. They must be led firmly back to the common rules. Let's not talk about fiscal paradise. Any country can decide its tax system. If some states can live without asking any taxes from their taxpayers, fine. The problem is not the level. The problem is a question of the transparency, the fact that we have to know where the funds come from and also where they are going to.

This is not a whim of the Europeans. It is a matter of common sense – hard to imagine a more efficient regulation if all kinds of territories are out of its jurisdiction. So we are not going to fight to apply rigorous rules and at the same time short-circuit them. We are not going to engage in massive public spending to help banks and at the same time allow evasion and tax fraud to persist, which divert tens of billions of dollars a year from our economies.

Discussions started by the G-20 have already led to clear progress on the European continent. In Asia the G-20 countries, at the initiative of Germany and France, among others, are asking that countries which fail to cooperate be listed and be subject to a range of sanctions. Accounting standards also need to be reformed to be less pro-cyclical. The IASB, the agency which sets them, has to be more transparent, more representative, and take more responsibility.

So on all these topics – and Christine Lagarde is here to correct me, I think – the G-20 finance ministers have already set out positive guidelines. But we need to go further. We have to get out of the G-20 countries with principles of action and rules in order to come back quickly to trust and confidence, without which the global economy will remain depressed. The G-20 must not limit itself to improving coordination of recovery plans, or a common agenda on international financial regulation. We will have to send strong signals on international cooperation at the end of the G-20.

In London we must not repeat the same errors that we have made in 1933, and it is the prime minister of a country who was always suspected of protectionist tendencies who tells you, we must not yield to the temptation of everyone for himself. In 2008 global trade grew by 4 percent. The IMF predicts that in 2009 it will decline by 2.8 percent. In Washington on November 15th, the G-20 states made a commitment not to make this decrease worse by protectionist measures. We must renew this commitment and ask the WTO to ensure that it is followed through.

The Europeans are also ready to resume the negotiations to achieve an ambitious and balanced conclusion to the Doha round. Not repeating the 1933 mistakes also means that we need to show our solidarity with emerging countries and the most fragile states as massive increase in the resources of the IMF should allow it to support the countries with shortfalls in the external financing. I can tell you that Europe is ready to help with this. It has said it very clearly. We even said – we mentioned a figure of how much we are ready to put on the table for the IMF. These are figures that are quite comparable to what the United States intends to do, and Japan. Because the increase in IMF resources must be accompanied by strengthening of its political legitimacy, we think it is time to move on to an open and transparent process in the selection of its leaders, and to renounce the implicit rules currently prevailing as to the top jobs. I can tell you that Europe is ready. We are counting on the same resolution from the United States in terms of the World Bank.

The time has come to strengthen the political legitimacy of the Bretton Woods institution. Only a stronger and more legitimate IMF will be able to establish a real early warning mechanism for financial crises. The World Bank and the other multilateral banks must speed up in the same spirit their disbursements, strengthen their social programs, introduce as fast as they can new instruments for finance trade. Today the European Union and its members provide 60 percent of official development aid, ODA, in the world. The EU is ready to maintain its effort and above all pool its action with that of the United States in the interest of more complementarity and effectiveness.

Finally, the last major, even vital issue, which will continue to require an unprecedented level of international cooperation – and let's not forget it, in spite of the crisis – it is climate change, and this fight is not dealing with the crisis we have today. For the longest time it was a question of defiance between the United States and the EU. And of course there is a serious risk that today's crisis would complicate a very delicate negotiation. But I can tell you that this crisis also is a historical opportunity to rethink our development models. I think the U.S. and Europe have a great interest in integrating green growth among the different tools of their recovery. We should reduce our energy dependence and develop clean technologies for tomorrow.

In France in 2007, all of the economic, social and scientific actors came together to formulate a particularly ambitious national program in terms of our fight against global warming. At the European level in 2008, the French presidency had the 27 member states adopt an energy-climate package, which puts the EU in a position to reduce its CO₂ emissions by 20 percent in 2020, providing, of course, the other developed countries also commit to it. And the emerging countries, even if they cannot aim at the same target, at least make a contribution at the level of their capacities. France and Europe are counting on the Americans to show the same ambition of the Copenhagen Conference in December 2009.

Ladies and gentlemen, the French press has not been very optimistic concerned the G-20 preparations. The media have been outdoing each other in emphasizing the existence of differences, of splits between North and South or East and West and diverging analyses. The fact is that on the evening of Saturday, March 14, our finance ministers did, in fact, achieve some important gains. They were strengthened by the decisions taken by the European Council at the end of last week.

I can tell you that none of us is looking for a perfect alignment that we will never attain on the international level. But we all hope for convergence, coordination, a reasonable coordination and a mutual understanding of the constraints of each. If the crisis has an origin, it is really much – a much too large complacency faced with the illusory facilities of a system. It is really the lack of vigilance on the part of many states in the face of the excesses on the part of financial traders. Accusing one state or another of being guilty is not enough to fight it. Actually, it means detracting our attention from what is essential. What is essential? It is to help each other without dogmatism. Even if it is, we have to change our habits.

This financial and economic crisis, like all crises, is a challenge. It is shaking our system. It is shaking our practices and our ideas. We are not entitled to act as if the storm was going to pass over us and everything is going to be like before. We have to rise to the occasion. And I must tell you – and this is why I came here to Washington today – I must tell you how much I trust the clear-sightedness and the boldness of our two nations, France and the United States. Thank you very much.

(Applause.)

MS. MATHEWS: So the prime minister will take questions now. As a courtesy to him, please introduce yourselves and please wait for the microphones. Who would like to begin?

Q: Prime Minister, thank you for your remarks – (off mike) – and I work for the Washington Post.

That is better. Mr. Prime Minister, thank you for your remarks. I am Jim Hoagland. I am from the Washington Post. Like you, I find the idea of a United States of France quite striking, particularly since we started out with the idea when President Sarkozy was elected, we might be seeing a more American France.

I was struck by several comments that you made in your talk today that do reflect a kind of almost American attitude, at least in the past. One was that financial institutions that have made bad decisions should not be given advantages, particularly on the back of taxpayers. I wanted to ask you then about the intervention by your government with Mr. Paulson when he was Treasury secretary to ask him to rescue AIG in large part from a French standpoint because French banks, which had made risky bets with AIG, would suffer big losses.

My question to you is will your government continue to support demands by French banks on AIG to be compensated in full, 100 percent, for the bad decisions that they made?

PRIME MINISTER FILLON: I am going to tell you very simply that when the French government is giving its total guarantee to French banks that could have problems, it makes no distinction between the risk the French banks took on the American market and the risk they took on the French market. There is a total identity on the part of American authorities and French authorities. We are supporting institutions – financial institutions, then – I mean, this is why we want more severe regulation systems. Later on, we can talk about their errors; but I think today what matters is to prevent the fall – the collapse of these financial institutions.

And the only time that this didn't happen concerning the Lehman Brothers Bank – the consequences on the whole world financial system was a disaster. So for us, it is very simple. Financial establishments must be saved. At the same time, we want to impose stricter regulations. But for the time being, we have to rescue them. And we have never made a distinction when we decided to help BNP or Société Générale or other French banks. We have never decided to see what was the part of our exposure. And yes, if I mention these banks, it is because I know that the exposure to risk in this country was huge. And there was no debate in France on this particular question.

So I think that we cannot both be the promoters of total globalization and at the same time think that public aid to banks should be limited to the risk that they have taken on their national territory. I think this would make no sense. Even if I understand the emotions of public opinion when I see the numbers that are quoted, perhaps the only answer, actually, is to publish probably the figures of the commitments of French banks in the U.S.

Q: Thank you, Mr. Prime Minister, Uri Dadush from the Carnegie Endowment. I have a question for you. The measures that you mentioned – are they going to be enough given the gravity of the situation? We could never have imagined a year ago that we would be in this situation we are in today. And more precisely, two questions. One, on protectionism, what can we do more on this topic? You mentioned that you wanted to give more authority to WTO, that you would have measures that you have taken since November.

Second question, do you think that the plans presented by Mr. Geithner for American banks today goes far enough?

PRIME MINISTER FILLON: I am going to start with your second question. I can tell you that we are reassured to see that the choice made by the administration – the U.S. administration – is a choice that will associate both the state and the private sector in the decision-making system for toxic assets. Our fear was that the American choice would have been to create bad banks. That is to say, to totally absorb under the wings of the state all the toxic assets first because we knew that such a decision would have driven us to do the same thing immediately. And I think that the decisions announced this morning by Mr. Geithner, of course, will lead all European countries to think about similar systems to take into account toxic assets, but also because ourselves – we have had a very painful experience of bad banks with Crédit Lyonnais a few years back. That really did not inspire us to go that way.

And there is a real question about the very definition of what is a toxic asset. We prefer a public-private partnership in this venture. We think that it is best to have a joint responsibility in the definition of these toxic assets, which shows you, actually, that we give equal trust to the market and to regulation and authority.

Number two – what about all the measures that have been decided? Is it going to be enough to face the crisis? Well, you said it yourself. Every day gives us more bad news for a few weeks. We can see a few good news that have appeared here and there on several fronts – in terms of the inflation, it is extremely low; insurance rates are very low. There is a very slight recovery in terms of international exchanges and trade, slight recovery in the housing market. All of this is very fragile.

What I have seen in the U.S. is that the U.S. administration tells us roughly that the recovery – the beginning of the recovery for the fourth quarter of '09. I think what matters is to see to it that the plans that have been announced are applied, are put in place because there is a succession of announcements, which we end up adding. And then the very figures that are added up scare us in terms of the future. But at the same time, a lot of these measures are very difficult to put in place. It takes a long time before they get results. So rather than to fight on who has the biggest and fattest recovery plan and stimulus plan, I think we should fight on the reality of the commitment of these stimulus plans in different countries. I am convinced that France will not rank last because the measures we have taken are extremely fast in their implementation. I think it is much more important to put money immediately in the economic cycle, rather than announce humongous plans, such as some European countries want to do, which then will be extremely tough to put in place before the end of '09, or even 2010.

And then finally, one word on protectionism. We proposed that WTO be responsible for a surveillance of the system, if you want, which shows you that we do not want protectionism at all. Otherwise, we wouldn't ask the WTO, of course, to do this mission. But it is very important we are quite aware of the fact that risk of tipping over of the large economies of this world toward protectionism would be considerable for the world economy. Now beyond all this, I said earlier that what we wish is for the Doha Round to succeed, which means that what matters is that all of the stakeholders accept to take into account all the sectors that are concerned by the Doha Round and not for us to keep on sectioning these sectors by saying oh, let's have an agreement on agriculture, and then we are going to have an agreement on industry, and then we are going to see later on for services. No way. If we really want our negotiation to be fair and balanced, if we want to keep to the end a few assets in this negotiation, let's put everything on the table and settle at the same time agriculture, industry and services. And you know well that this is really where the Doha Round failed for the time being.

Q: Diana Lady Dougan, Center for Strategic and International Studies and Cyber Century Forum. (In French.) So I have to ask my question in English. We always think a lot of the unions as being a major factor in the French economy, but I wonder what the unions' role has been positively, negatively or a factor at all in the stimulus issues, particularly in France, but Europe in general, and would you comment on that?

PRIME MINISTER FILLON: The only comment I could make is to tell you that the unions are very encouraging elements to create ambitious recovery plans and stimulus plans. And after all, it is their role – it is – I mean, the opposite would be a surprise. Trade unions are fighting with each other to obtain more and more support – public support to have consumption recovery plan. Unions are fighting to increase wages. I mean, this is their role. It is not a surprise either.

And so what we are trying to do, as the president, is to modernize social dialogue in France to avoid that the social dialogue becomes just a fight. It is in the spirit that in July of last year, the parliament voted a very deep reform, which has kind of gone by the wayside. Nobody noticed. By the rules of social dialogue in France, unions were de facto representative on the basis of criteria that dated back to the end of World War II. In order to be representative in France, for instance, a union had to have had good behavior during the German occupation. Well, I mean, today perhaps, we could drop this criteria and try to see what is the reality of the place of the union in different sectors.

And so from now on in France, we are going to have elections to check the representativity of unions and companies. Workers will be able to choose that this union or that union will be more or less representative in a dialogue with the state. In the same vein, we have decided that a large part of the decision concerning the life of the enterprise, the work organization, for instance, the workweek beyond 35 hours. I mean, all these topics until now were discussed by unions at the national level. We want them to be discussed within each company. Each company is going to discuss with its own workers what are the rules that should be applied within a company. It is a revolution in the French system. You need some time for them to be actually applied. And of course, these representativity elections have to take place.

But what I am telling you is that beyond the traditional demonstrations in the French social dialogue – you know what I am talking about. The system is being deeply reformed. And more and more, we are going to have a social dialogue in companies, in enterprises, at the grassroots level, which is going to become an element of economic competitiveness.

Q: Yes, Barry Carter with Georgetown Law. This has been an illuminating presentation. And it is great to hear about things like France's full participation in NATO and all of the agreements. Can I focus on, unfortunately, what you described as a false debate – or unfortunately, what some consider false debate, which is this fiscal-stimulus question?

And I think there is a sense that the United States would be more aggressive here than Europe overall. But I would like to talk about just Europe. My understanding is that in Europe, there weren't strong differences in the various meetings leading up to this. And then say, Germany was most hesitant to be aggressive while France might have been willing to do a little more. When you come to the G-20 meetings now, how much does France feel bound by the consensus of the European Council that was reached here in the last few weeks versus how much they feel they might

be able to try to strike a deal that would be more in line with the United States and may be at variance with Germany?

I mean, is France united entirely on these financial matters, say, as much as it is sometimes on trade? Or is there more flexibility now?

PRIME MINISTER FILLON: France is not linked at all by any agreement whatsoever. France is in total harmony with Germany on its vision of the reform of the regulation system. There are topics with which – with Germany we have divergences. We did not agree with Mrs. Merkel on the size of the bank-rescue plan. We had differences as to the necessity of the recovery plan.

But very quickly, these divergences were raised by facts. And in the end, Germany and France have very close policies because of the similarity of their systems and the differences of the systems. But as to regulations, we have never had any differences at all – not the slightest between France and Germany – that is to say, as to the necessity of a more transparent system, a more efficient regulation. And so it is not that we are linked by European agreement or not, it is the translation of a real identity of views between France and Germany on this question. Besides, we know that the United States are a large and powerful country. So it was not completely useless for the 27 Europeans to agree together before. They went to discuss with President Obama. Of course, it gives them a little bit more weight in this discussion.

But I really notice after I had a few discussions – and I hope I am going to have some discussions later – that there are not many differences. And this question of stimulus versus regulation – this is much more in the comments than in the real will of the political actors – both in the United States and in Europe.

Q: Thank you, Mr. Prime Minister, for your analysis on the global economic crisis. My question is that – I am – (inaudible) – from “India Globe” and “Asia Today.” You said, sir, that while in London, you would be supporting at the G-20 most threatening countries. What do you mean by that, Mr. Prime Minister? Who are the most threatening countries that you are going to support? And second, if you can just say about French-India Civil Nuclear Agreement, which was signed just recently and also if you see, there is a competition with the U.S. because U.S.-India Civil Nuclear Agreement yet has not been finalized.

PRIME MINISTER FILLON: On the first topic, it is simple. We want to triple the means of the IMF in order to allow the IMF to double – double, sorry – in order to intervene and support the countries that are being threatened the most by the crisis and do not have the means to intervene themselves. After all, this is one of the functions of the IMF. And this is our collective responsibility to see to it that there are no major collapses in emerging countries.

Now as to your second topic, yes, we are competing with the United States in terms of our nuclear agreement with India. And let me tell you that this competition will go on to the end. That is to say, until one of us has won – or both of us maybe. There could be two winners. But we are often competing with the United States. This means that we have performing companies. And in terms of nuclear power, everybody knows that we are very performing. France chose a long, long time ago to use nuclear power. We have never changed. This choice of nuclear power allowed us to constantly improve on the efficiency of our nuclear systems both in terms of security and in terms of financial and energetic yield. We do not regret having made this choice today.

And let me tell you an anecdote, which shows you that sometimes it is useful to have a strong political power to have the state decision. I discovered in the archives of the government that the decision to build 52 nuclear power plants in France – 52 or 58 – 58 French nuclear power plants back then. The decision was taken by President Pompidou in a restricted council of ministers. They were not there – just a few ministers with him. The same day, the decision was taken to build 58 nuclear power plants. This is still the same decision that we are under today. And since President Pompidou thought that there was not much on the agenda, he added the construction of the high-speed train. He decided on the same day by the same people.

So this is a dream for me to one day be able to take to such momentous decisions for the future of the economy of the country. Of course, we are going to keep on fighting and competing loyally with the United States in order to supply India with nuclear power plants for the future – and high-speed trains. You forgot high-speed trains.

MS. MATHEWS: It remains a dream for us, as well. We have time for one last question. Right there.

Q: Peter Green from Bloomberg News. I will ask you in English since we are in America, but I can translate it if you would prefer. You have called for sort of a social-capitalist revolution at the G-20 meeting. And as students of history know, most revolutions don't actually achieve 100 percent of what they set out to achieve. I am wondering what you would consider a success from the G-20 meeting. And I am also wondering since you put a lot of emphasis on a call for better regulation, whether you think that the existing regulatory structures simply need to be strengthened or do we need some sort of international Securities and Exchange Commission? Could you answer that question, please? Thank you.

PRIME MINISTER FILLON: Before answering, since you said that you also would like to have a high-speed train in the United States, allow me to also evoke a souvenir. I came here a long, long time ago. It was an exchange program between the French parliament and the American Congress. And I spent a weekend with a congressman from Ohio, who was the chairman of a Congress commission that was trying to bring the high-speed train here in the U.S. 20 years ago – almost 20 years ago. His name was Donald Pease and he had been discouraged – I don't know who discouraged him, perhaps airlines – I don't know, I guess – who paid a publicity spot on TV where you could see him get to Paris in the spring. And they said this is what your representative is doing. He is spending springtime in Paris. And of course, this is, of course, a sign of idleness and great moral weakness.

So as to – that is why we have never accepted in France any political spots on TV. It is not allowed. So as to your question, what would be the markers of a success out of G-20? We want a decision on hedge funds and a necessity to regulate hedge funds. We want a decision on rating agencies. We cannot cross that threshold without saying a word on rating agencies. We have to say something.

Thirdly, we need to have a clear direction as to accounting standards. We saw that deleterious effect on the crisis. This was not the objective to create accounting standards that worsen a crisis when it surged.

And finally, what we would expect is a clear decision on non-cooperative states, on offshore banking centers. And we would like a list of states made public of all the states that do not apply to commonly applied rules by the international community. Then it is up to each of us to tell our banks if you go and work with these territories, you are getting out of the regulatory system. At least, you are very outside of the public support system. So I think if we achieve something on all four topics. If we move forward, perhaps we could add something on the remunerations and bonuses and the need to have much stricter rules in terms of what should I say – bonuses, in terms of results. There must be a limit.

And the system must go both ways. If you win, you earn a lot. But if you lose a lot, you lose a lot. So I think that if we could come out of the G-20 with decisions on all these points, I am convinced that the international community would take this G-20 meeting as the starting point of the recovery of world economies. Thank you very much for your attention.

(Applause.)

MS. MATHEWS: I just before we depart wanted to offer a last thank you. This has been an extraordinarily illuminating hour and you carry, I think, the best wishes of everybody here for success in London. And we thank you very much for sharing your thoughts with us.

(Applause.)

(END)