



Conversation with Jean Lemierre

Jean Lemierre - Chairman, BNP Paribas

David Wright - President, EUROFI

David Wright

A very warm welcome to Jean Lemierre, chairman of BNP Paribas. Jean, I begin by thanking you and your bank for your continuous support of Eurofi, which is greatly appreciated and, I would say, essential. Jean, we are going to discuss the economic perspectives of Europe, starting with the competitiveness of Europe in particular. Can you give us your view? You see what is going on on a day-by-day basis. How do you see European competitiveness today? Are you concerned or not? What do we do?

Jean Lemierre

I shall make two remarks. First, Europe is beginning to suffer some slowdown, but hopefully for not too long. It is the unavoidable impact of getting rid of inflation, before a rebound. The rebound will be strong if Europe is competitive.

When I speak with clients, many of them have doubts, and this is worrisome. We need to be very much aware that investments are attracted to the United States for three reasons. Investors see the US as an efficient single market. May I remind you here that progress on the single market is absolutely key? It is Europe's main asset, and we should improve it.

The second point is the cost of energy. Energy is roughly three times cheaper in the US than in Europe. We know why and we need to find the solution. I believe energy transition is part of it.

The third element is about subsidisation. Money is on the table in the US. It is easy to get it because it comes in the form of tax incentives.

I stop there and simply say that we have to be very aware of the fact that, today, the debate is not about China or about emerging countries, but about serious transatlantic competition.

David Wright

When you look at the single market as a great asset of Europe, it seems to me that we have had ups and downs over many years from the days of Jacques Delors to where we are today. However, the challenges regarding the single market, as you said, are growing. They are not diminishing: we have energy issues, we have enlargement, and at the same time we have a growing competitiveness gap. We have plenty of savings, but, as you said, too much of it is heading to the United States. What do we do about this? What is your policy?

Jean Lemierre

In very few words, David, you have put many questions on the table. These are serious questions. Strong collective action is needed to succeed. Any kind of fragmentation will be a loss for Europe.

You also raised the question of enlargement. How compatible is enlargement with the single market? How do we make it compatible? Many in the world begin to think the future enlargement would be a threat to the single market. I shall simply share a remark made a few minutes ago by Sylvie Goulard who knows Europe well. We need to speak about non-EU countries' preparation for the future enlargement, but we should also prepare ourselves for it, which we never speak about.

My third point is about the corporate sector. Companies are key. They have to – and they try to – be competitive. There is no competitiveness and efficiency without a sound, efficient and competitive financial sector. That is the point that we have to discuss here. We have proven, over the last months, that the financial sector in Europe is resilient. For instance, we have been able to deal with serious tensions about liquidity coming from across the Atlantic and from Switzerland.

I refer to the financial sector, not only about banks. Competitiveness in the financial sector comes, of course,

from the action of each company, bank and fund, but also from supervision and regulation. We have to make sure that we are safe and efficient. We should never oppose the two.

Of course, you drive me to a point that has always been at the heart of what Eurofi does, which is the efficiency of channelling Europe's savings to the real economy. I mean capital markets union we have spoken a lot about. If I may make a new wish before the elections to the European Parliament for the new Commission, it would be to let us deliver. This is part of Europe's efficiency and competitiveness agenda.

David Wright

Just on the efficiency point, what does that mean for you? Does that mean, for example, old British ideas of simplification, cost-benefit analysis and competitiveness testing? One reads about that, but what does it mean in practical terms, in your view?

Jean Lemierre

Good or bad, Europe is funded mainly through banks. That was the case 15 years ago and still is. We have not changed this.

First, banks must have the capacity to deliver well and efficiently use their capital to fund the economy. The securitisation agenda is part of this effort. It was obvious in the US 40 years ago. It should be obvious, even more so nowadays in Europe.

Then we need to make sure that capital and liquidity can flow efficiently across Europe. That would be excellent for everybody. Capital markets union must be grown step-by-step. There are two different approaches. One is perfect. It means alignment of legal systems, unification of market supervision in Europe and tax harmonisation. It will take years.

Let us adopt a more pragmatic stance by promoting

securitization first and finding the resources to grow equity in the corporate sector.

David Wright

Finally, Jean, are you hopeful? We have these various reports coming out from Enrico Letta and Mario Draghi, and from Christian Noyer, who is chairing a group in France, and there are many others. The European supervisory authorities and many industry groups are hard at work. There does seem to be some growing interest in trying to progress. Do you see it like that in your contacts? Do you see people finally realising that Europe cannot achieve its laudable objectives unless these things happen?

Jean Lemierre

I do. They will promote the policies well discussed in Eurofi which is a leader.

David Wright

Thank you so much again, Jean. It is always fascinating to listen to you. I share your cautious optimism. Thank you very much.