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Q&amp;A

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### Europe's strategic roadmap to sustainable prosperity and economic resilience

Why have Europe's productivity and innovation trends remained weaker than those of the United States and China over the past two decades, despite demand stimulus, crisis stabilisation policies and initiatives such as NextGenerationEU?

The premise of the question deserves some nuance. Over the past two decades, the EU policy mix has not been one of continuous demand stimulus. Following the sovereign debt crisis, many Member States implemented significant fiscal consolidation combined with structural reforms. The policy stance was often restrictive rather than accommodative.

When the pandemic hit, Europe deliberately chose a different approach. Instruments such as SURE provided rapid and targeted support to national short-time work schemes, preserving jobs, incomes and human capital. This stabilization effort was not a substitute for structural reform; it was a necessary condition to avoid long-term economic scarring. It also reflected Europe's social model and helped prevent the type of prolonged divergence observed after the sovereign debt crisis.

At the same time, the EU response went beyond short-term demand support. *NextGenerationEU*, and in particular the Recovery and Resilience Facility, was designed as an investment and reform tool to strengthen long-term growth potential. It channels substantial resources into digitalization, the green transition and productivity-enhancing reforms. Its macroeconomic impact is already visible and is expected to raise output further in the coming years.

The fact that productivity trends have been less dynamic in Europe than in the United States or China reflects long-standing structural features of the European economy: a Single Market that is not yet fully integrated, capital markets that remain fragmented, and differences in the scale at which innovative firms can grow. These are well-identified

challenges, highlighted by the Draghi report notably, and they are increasingly addressed at European level.

The way forward does not rely on questioning the role of stabilization policies, which have proven essential in times of crisis, but on complementing them with deeper integration and targeted reforms. Progress on the Single Market, the Savings and Investments Union and innovation financing will allow Europe to fully leverage its strengths: a highly skilled workforce, world-class industrial ecosystems and a stable regulatory environment. The direction is clear, and momentum is building. The objective now is to maintain consistency and ambition in implementation.

In a context of high public debt, demographic pressure and systemic uncertainty, what are your key domestic policy priorities to restore firm-level competitiveness and unlock private productive investment?

At the informal EU leaders' retreat of 12 February 2026, European Leaders held a strategic brainstorming on Europe's competitiveness.

In recent years, France has eased the tax burden on businesses, notably by reducing production taxes and implementing fiscal incentives such as the Research Tax Credit (CIR in french) to encourage R&D investment, fostering innovation and long-term competitiveness. Ensuring fiscal stability and providing predictability is crucial. The 2026 Finance Act was designed to strike this balance, particularly for micro-enterprises and SMEs. Additionally, France is pursuing an ambitious agenda to simplify administrative procedures at both national and European levels. Laws like ASAP (*loi d'accélération et de simplification de l'action publique*) and PACTE (*loi relative à la croissance et la transformation des entreprises*) have already streamlined business operations, while the ongoing Economic Simplification Bill aims to further rationalize regulations. The

Green Industry Act accelerates the establishment of industrial sites through simplified procedures.

At the EU level, France supports the Commission's "omnibus" packages (2025-2026) and the creation of a 28th regime to facilitate business activity within the single market. Reducing regulatory complexity stimulates entrepreneurship and industrial projects, cuts compliance costs, and frees up resources for productivity-enhancing investments. To improve economic financing and business investment, France supports the establishment of a Savings and Investment Union, channeling household savings toward long-term financing, the relaunch of securitization market, and the promotion of a single financial market supervision to reduce fragmentation. By launching the "Finance Europe" label with several Member States, France aims to guide household savings into long-term and higher-risk investments to better support European businesses and our competitiveness.

### How can fiscal discipline be restored in the most indebted countries in order to relaunch growth, restore trust among EU decision makers and revive economic and financial integration in Europe? At what pace should the process of financial restructuring be conducted?

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The eurozone is currently in a heterogeneous fiscal situation. Some Member States have high levels of debt and/or deficit, particularly as a result of the covid and energy crises. Others have managed to consolidate their public finances more effectively but are facing new spending pressures to invest in the green and digital transition or in defense for example.

The new fiscal governance framework that came into force in 2024 should enable to address these challenges. Based on a principle of differentiation, it assigns to each Member State a differentiated fiscal path that requires more or less adjustment depending on its initial fiscal position, in order to ensure the sustainability of its debt in the medium term and to achieve gradual consolidation, taking into account possible external shocks, and without neglecting the public investments that are essential to meet the climate and geostrategic challenges they face. Indeed, the framework encourages Member States to implement reforms and investments in the Union's common priorities.

Under these rules, in line with its Medium-Term Budgetary Plan (MTP), France is committed to a fiscal adjustment over seven years, which will avoid any undue burden on growth prospects. Our goal is to gradually bring the deficit back below the 3% of GDP threshold in 2029, while shifting more our public spending towards common priorities, like defence capabilities.

### The protection of national interests is often seen as conflicting with European development, particularly the internal market. In which industrial, technological or financial areas should Europe focus first?

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The old opposition between national interests and European integration is now obsolete: today's geopolitical and economic realities demand that we transcend this artificial dichotomy and come up with a new paradigm, where national sovereignty and a united, strategic Europe, mutually reinforce each other to secure our continent's future.

As a result, Europe should start by fixing what most directly constrains its capacity to scale: capital markets. European scale-ups still struggle to access deep, patient financing, not for lack of innovation, but because our markets remain fragmented along national lines. As highlighted by the Draghi report and the Noyer-Kukies report under the FIVE initiative, supervision remains national, market and post-market infrastructures insufficiently integrated, and cross-border activity too costly. The Market Integration and Supervision Package (MISP) offers a concrete response: by improving market and post-trade integration, supporting innovation and developing European-level supervision where it is the most relevant, it can help pool European savings more efficiently. This is not about weakening national interests, but aligning them. Only by working together can Europe build capital markets capable of competing with the scale and coherence of the US.

This also stands true in banking where competitiveness is a key area where European development and national interests can reinforce each other. A strong and competitive European banking sector is essential not only to finance strategic priorities such as the green transition, defence and innovation, but also to strengthen the competitiveness of European firms through better priced and more reliable credit, risk management and market services. It also reduces Europe's dependence on non-European financial actors and infrastructures. The priority should be to deepen the Banking Union by reducing remaining fragmentation, ensuring a level playing field with other major jurisdictions, and simplifying an overly complex regulatory framework without undermining financial stability. Greater integration of capital and liquidity within European banking groups would strengthen resilience, support cross-border activity and allow banks to operate at scale, ultimately benefiting both national economies and the European internal market as a whole.