



New year greeting to business and trade union leaders speech by M. Jacques CHIRAC, President of the Republic - excerpts -

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As we begin this new year, I want first to extend to every one of you, your families, your loved-ones, your colleagues, my most sincere, warmest wishes for this new year.

(●●●) France is a major power: the world's fifth-largest. A country which has succeeded in carrying out major social reforms, creating a million businesses in five years, restoring its public finances to a sound footing and, over the past two years, reducing its debt. A country whose growth is now staying firmly above 2%, and which is demonstrating that unemployment isn't inevitable, even though a great deal remains to be done in this area. A country where the number of new social housing units has doubled since 2002. A nation committed to solidarity: even though a huge amount still has to be done on this front, we have gone against the trend in neighbouring countries, from what the experts say reduced inequalities and poverty, insufficiently, but indisputably.

Now that French men and women are going to have to make some decisive choices for the future, I'd like to discuss the major challenges which we face in the years ahead. I want to tell you in what spirit, and with which priorities I believe France will have to pursue her onward march.

The world economy is growing rapidly, with the emergence of new giants: China and India today and Brazil tomorrow. We are engaged in a race for technological supremacy, and doing so in every sector: not just behind the magnificent successes of our companies, but also behind the factory closures and offshoring, this is what is actually going on.

The race to reach critical size and profit is also resulting in an increasing number of takeovers. These present both opportunities and new dangers: France, with 11 companies in the world's top 100, is directly concerned. We have to abide by market economy rules, but guard against any naïve optimism.



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At the same time, mankind is facing a predicted ecological disaster. We shall have to take radical measures to address both global warming and the need for global growth of a world which will have 3 billion more inhabitants in 40 years: so what actually lies ahead of us is a new industrial revolution.

Faced with these challenges, we must be wary of ideologies, illusions: the shorter working week as a solution to unemployment, raising taxes rather than carrying out reforms. Equally, we have to reject taking France down the ultra-liberal path, with wage squeezes and shrinking social protection. France has the wherewithal to realize a far greater ambition. An ambition commensurate with her capabilities.

We have, in fact, three major challenges: to put the finishing touches to a new French social model, make profit sharing a genuine goal for society and make France the champion of the next industrial revolution, that of sustainable development.

FRENCH MODEL

People talk a lot about a French model, and they are right. It is based on the combination of social protection and innovation. It's perfectly tailored to today's world, provided it is carried to its logical conclusion and constantly modernized.

This is why we have embarked on an in-depth modernization of our social security system. The pension reform has been done. It guarantees that the relevant budget will be balanced through to 2020, and also enables 500,000 women and men who started working very young to retire before the age of 60. The sickness insurance reform has been completed: for the first time, spending has been kept under control, thanks to changes in behaviour and the establishment of a genuine parcours de soins [plan for a patient's preventative and curative treatment]. (•••)

EMPLOYMENT

It's in the employment field that we still have a huge amount to do. And for me this is an absolute priority. Thanks to your active efforts and the resolute action of Dominique de Villepin's government, unemployment is falling. 360,000 fewer jobless. At this rate, before the end of the year we shall achieve the lowest unemployment level for a quarter of a century. But the only goal worth having is obviously full employment. And for this, we have some major reforms ahead of us which we have to carry out together.

This is the whole reason for modernizing the social dialogue. It's high time to end this tradition of conflict, inherited from another era, and which sometimes slows down our progress. (•••) Employers and trade unions are now fully involved in management of the social security system. They must now become players in the reform, promoters of the new French social model. For this, we have to strengthen the legitimacy of social democracy. On the basis of the work



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of the Economic and Social Council, we shall have to deal with the issue of trade union representation. (●●●)

To win the battle for full employment, new balances will have to be found. In an economy with opportunities to be seized, with technological breakthroughs and changes in the economic situation, our labour legislation is too complex and too rigid. Our companies aren't fighting on equal terms, especially those with fewer than 50 employees. This is where there's the greatest potential for new jobs and also where the main difficulties are to be found in implementing the labour code. We have to give these businesses the means to expand by offering them greater flexibility.

At the same time, and the two things are linked, we have to create a sécurité sociale professionnelle [new unemployment benefit system giving better assistance to jobseekers]. When people lose their jobs, it isn't enough to receive financial compensation; they must constantly update their skills and immediately be directed to the right company. Here, establishment of the Maisons de l'Emploi [these are not only job centres for the unemployed, but they also have a team who go to local firms and offer help with recruitment] was an important step. (●●●)

Behind the issue of jobs obviously lies the question of purchasing power. The SMIC [minimum wage] has gone up nearly 25%, the prime pour l'emploi [income-dependent premium for employment, to "make work pay"] has doubled. But the French have high expectations. To pull wages up, the decline in the jobless rate has to be accelerated still further. We must continue to act against cartels and monopolies which are formed to the disadvantage of consumers. We must build still more housing because it is obviously the housing shortage which is leading to higher rents.

PROFIT SHARING

Aside from wages and prices, we can make participation [statutory profit sharing] the other engine in purchasing power. Statutory profit sharing is a specific feature of French labour law [compulsory in all firms with 50 employees or more]: it's far more than just an economic goal, it's a goal for society wholly tailored to today's world. Profit sharing is a matter of justice: employees must receive a proportion of the profits they have helped generate through their labour. Let's beware of spurious debates: profit sharing is not a substitute for wages but an additional source of income. It's also a wonderful way to develop solidarity between the wage earner and his/her company; it seals a real bond between them based on a shared ambition. (●●●)

To build a society where profit sharing is the norm, we must use the Act which was recently passed and radically speed up the changes it brings in. Together with employers and trade unions, we must first of all set ourselves the goal of all employees, not one in two as now, being entitled to profit sharing. Also, companies which distribute as much to their employees in the form of profit sharing or wage increases as they do to their shareholders should enjoy a



reduced corporate tax rate: of the order of 10%. And when an investment fund decides to resell a company, it should be required to pay a significant proportion of the gain realized, for example 20%. (•••)

INNOVATION

The third area in which we have to take some crucial steps is innovation. And this applies particularly to sustainable development, a strategic sphere for our future.

We have launched an unprecedented effort to develop public and private research. By creating lecturer/researcher posts, establishing centres for research and higher education, and thematic advanced research networks, we have created the conditions to raise the French academic world to the highest international standards. We shall have to make this a budget priority for the next five years so as to devote to our students as much money as the other major nations do, i.e. 30% more than at the moment.

We shall have to provide students with the best possible conditions in which to work. We have to make our universities more powerful, by facilitating both closer relations between them and their collaboration on world-scale projects.

To provide better rewards for innovative work and invention, we have introduced the bouclier fiscal [this limits all tax liabilities – income tax, local tax on sole or main residence and wealth tax – to 60% of a taxpayer's income], and slashed income tax by 20% in five years and, for over three and a half million households, by 30%. But the major challenge for the coming years is the fiscal rivalry between nations. To keep our companies and attract others, we shall have to act on the corporate tax rate. It is 33% in France, nearly 8% higher than the European average. The goal must be to bring it down to 20% in five years.

But above all we must start now to switch to the "new new economy" of sustainable development. The response to the ecological challenge is not zero growth. In a world where three billion people live on less than 2 a day, that idea, sometimes floated by certain technical experts, is positively indecent. We have to bring about a new kind of environmentally-friendly growth. This requires a revolution in our production and consumption methods: using fewer natural resources, environmentally-friendly methods and being mindful of pollution and waste, and the impact of chemical products on people's health. It requires major technological breakthroughs. With her research, high-tech companies in water treatment, waste management and energy, France can be the champion of this new industrial revolution.

ENERGY/ITER

Energy is obviously a strategic issue. To safeguard and reinforce our place in this world market, we need to have powerful groups. We have Total, EDF, AREVA in the oil, power and nuclear sectors. We need a major player in gas – this is



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why the proposed merger between Gaz de France and Suez is a strategic project for France and for Europe. There is no place here for short-term calculations or political considerations.

There's also the strategic question of clean energies. With global warming, we shall perhaps be forced to give up using oil even before it has been exhausted. It is of paramount importance to develop energy which does not emit greenhouse gases, biofuels which, moreover, offer enormous opportunities for our agriculture and forestry industry. We must bolster our nuclear industry. (•••) The ITER project also has to be seen in this framework. Thanks to the high calibre of our research and researchers, the international community chose France as the location of this energy programme of the future, a clean and virtually inexhaustible fusion energy.

Under the impetus of the Industrial Innovation Agency, we shall have to launch some major breakpoint technology projects. I am thinking of the construction, within a year, of a prototype to capture and store CO₂. I am thinking too of the development of insulating materials and construction of energy-efficient buildings. I am thinking of clean cars and lorries, and solar energy, whose potential will be considerable once technological breakthroughs have brought down the cost.

Lastly, we must initiate a large-scale national plan to renovate all the old housing stock and buildings; such projects have enormous potential for energy savings. The goal is to halve domestic energy consumption in 20 years by encouraging energy savings and clean energies through regulation, public awareness measures and incentives. With regard to transport, we shall have to give priority to railways and waterways, and allow the local authorities who wish to do so to impose urban congestion charges, after public debate.

ENVIRONMENT

Preserving the environment, defending biodiversity, tackling global warming are vital challenges for today's nations. This is why France was the first country to include a reference to an Environment Charter in her Constitution. Together with Europe, we shall have to move towards a "carbon tax" on products from countries refusing to commit to the regime which will succeed the Kyoto Protocol post 2012. And this is why I wanted to convene an international conference in Paris at the beginning of February to speed up public awareness and the establishment which is indispensable of a World Environment Organization at the United Nations.

EUROPE

Ladies and gentlemen,

France is extremely well equipped to exert her full influence in this new world being built before our eyes. France must take her future in hand, and do so, obviously, in the framework of Europe.



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Economic Europe must advance hand in hand with People's Europe. The European Union can no longer be the only continent-wide entity using none of the instruments of economic, industrial, trade or monetary policy. It's time for it to exercise its economic sovereignty by setting a policy of change and radically reforming competition policy to take account of globalization. It's time for the EU to go on the offensive when it comes to trade policy, fighting on equal terms with the other powers. As the leading market for emerging countries, it's in a strong position to negotiate agreements with them on the conditions of fair competition and compliance with social and environmental standards. Europe must regain control of its economic destiny by re-establishing the principle of community preference on which it has moreover been built.

This will be a major turning point for Europe. In a world where the assertion of our continent's economic and social power is essential for the major economic variables, France will have to be its engine. (•••)