

TUESDAY 10 JUNE 2008

Present

Blackwell, L
Cohen of Pimlico, B
Dykes, L
Grenfell, L (Chairman)
Harrison, L
Howarth of Breckland, B
Jopling, L
Kerr of Kinlochard, L
MacLennan of Rogart, L
Plumb, L
Roper, L
Sewel, L
Tomlinson, L
Wade of Chorlton, L
Wright of Richmond, L

Witnesses: **HE Maurice Gourdault-Montagne**, French Ambassador, and **Mr Diego Colas**, examined.

Q1 Chairman: Ambassador, we are delighted to welcome you to our Committee and thank you very much for taking the time to come and meet with us. As you know, it is a tradition of this Committee that we meet with the Ambassador of the incoming Presidency, and it is quite rare to meet with the Ambassador before the Presidency has started, so you may find yourself under some constraints because you have not even started the Presidency yet, but I think you have an idea of what we want to talk about. I understand that you would like to make an opening statement and you are most welcome to do so, so you have the floor, Ambassador.

HE Maurice Gourdault-Montagne: Thank you so much, Chairman, my Lords, for receiving me today and giving me the opportunity to give you information about the French Presidency of the European Union, starting on 1 July. First of all, allow me to give a bit about the context of our Presidency and then to give you some elements about the French contribution

to the reforms which are currently an ongoing process in France and then the major priorities.

I will not be long so that I can answer your questions afterwards.

As to the context of our Presidency precisely, this should be, if the simplified Treaty is ratified, the last rotating Presidency and we have also, we can say, a sort window of opportunity for action as we have no major political event during our Presidency at the European level, not as the Czech Republic afterwards have with the European Parliament elections or the Swedish Presidency with the renewal of the Commission. We do not have any major negotiation to complete compared to the Danish Presidency in 2003 with enlargement or recently the German Presidency with the simplified Treaty, so in fact the intention of the French Government is to push forward some issues which are of significance to the citizens and show that, yes, we are in a process which puts all the institutional issues behind us if the Treaty is ratified. We take over from the Slovenian Presidency which was in many sectors a success in the Balkans, with all the process in Kosovo with Serbia, as well as on the questions recently solved of the internal energy market, the unbundling last week and more recently yesterday with the two social services Directives, the one on temporary workers and the one on working hours where we could manage, with in particular France and Britain working closely together, to find solutions around which to rally the rest of our partners.

Now, France is at the moment embarked on a programme of reforms on which President Sarkozy has been elected which are the contribution of France to generating more growth in the European Union which is the main question for us at the moment. These reforms are focused on three areas. First of all, we want work to be at the heart of our economic policies, hence, everything which is done with the 35 hours, the new possibilities to rely on overtime, which have been taken up by more than half of the French companies in the last six months, the new labour contract. We are focusing also on more entrepreneurship and competitiveness in the French private sector and all that is tabled in an Act on the modernisation of the

economy in France which is currently debated in parliament. All that will deal with the previous items I mentioned, but as well it will deal with R&D, with university reforms and the facility even to renew and expand skills. Then we have the last point which is the general review of public policies, of which the aim is to reduce the size of the State to create more room for manoeuvre and reduce taxes, and this happens through the non-renewal of one half of civil servants going for retirement, there will be the merger of agencies and there will be as well some reorganisation. For instance, the judiciary map in France has been totally reorganised by the suppression of one-third of the tribunals in France, so these are major reforms, and also lots of outsourcing in many sectors, for instance, in the visa delivery so we shall follow the path actually already taken by many other major partners and the United Kingdom, for example. The last point is the opening of the French labour market to eight eastern countries of the European Union. This has been announced by the President which shows actually the spirit and the dynamic that we would like to give to our Presidency before we start it.

Now, what are our main priorities?

First of all, energy and climate change. On energy and climate change, we shall have to prepare the negotiations of the Copenhagen Conference at the end of 2009. We have to put into force the package which has been decided during the German Presidency and, in particular, we have to create the framework in which all these measures which should lead to the reduction of emissions of CO₂ have been envisaged, so our main task will be the revision of the Directive on the Emission Trading Scheme, and we can come back to this issue afterwards. We must, therefore, facilitate a negotiation and we would like to open as well the discussions about what will be the consequences on our industries without any distortion of the market. That is the problem and, if we want to reduce the emissions of CO₂, we need some investments and, if we need some investments, how do we share the burden of these

investments, so there will be discussions on the so-called 'carbon leakage', how to prepare a situation which would lead to a success in the negotiations at the end of next year.

Another main priority will be immigration. We need immigration, we need skills, we need immigrants, but we also need to control the flows of immigrants and we know that we are in an interdependent system, so we have prepared for long now what we would call a 'pact' on immigration. This will be a sort of set of principles responding to some questions, first of all, how to exert better control on frontiers, secondly, how to have a better integration of immigrants, and this would be left actually to the national regulations on the basis of the principle of subsidiarity, but there could be some convergences. We would like to have better treatment of illegal immigration, how to pool, for instance, the return flights together with some partners and how we can address the question of the readmission agreements with the origin countries. We would like to deal also with the question of asylum because the traditions we have in our countries are very different, one knows that, so how to have something in common so as to avoid distortions of flows towards countries where asylum would be more favourable, and then also the question which is essential and crucial to us which is the co-development question, in fact how to help countries to have their people prevented from emigrating because they would find jobs in their own countries and, if they leave their countries, it is because they cannot stay, so how to help countries to have their populations stay.

Another priority will be the European Security and Defence Policy. We do not have in mind at all during our Presidency any kind of European army; I want to stress that this is not the point because it is written sometimes here or there. The point is that we have to address some new threats and give us some capacities of security and defence. This issue from the French point of view has very much to be linked with the assessment of President Sarkozy to give France its full place, its full role in NATO. We have already started the process of getting

closer to NATO and we are not at all in the situation of 1967, as you know well, but President Sarkozy would like for us to be at the fore of NATO at the same time as we develop some European capacities, so, in that regard, what shall we do? First of all, we would like to update the European Security Strategy which was written in 2003. We consider that this Strategy, as it is now, is obsolete. First of all, we have now 12 more Members of the European Union and then there are some threats which were not so obvious at the time, the ballistic threat, piracy, some energy security issues regarding the protection of transport, all the arms trafficking; all these types of things have to be taken into account in a new European Security Strategy. Secondly, we think we should draw some lessons of the operations of the European Union. There have been 17 operations led under the framework of the EDSP which were on all the continents, in Indonesia, which you know perfectly well, in the Middle East, in Africa many times, and at the moment in Chad, where EUFOR is working well. So what can kind of lesson can we draw from that? The idea also would be to address, in particular, the post-conflict stabilisation process with European means, so now we need clarification through discussions amongst the partner countries on the missions, on the commitments, on the nature of the missions, keeping in mind that of course, because NATO is the hard core of our security, that this matter would be neither in competition with, nor a duplication of, what NATO is doing (this would be absurd), but also on that we have to discuss a lot and continue to participate in the NATO transformation which we have accompanied from the beginning, since it was launched. Then the last point would be work on common procurement amongst European countries, and there is an agency which has been set up, and this is a slow process, but it should be also a way to avoid duplications in the armament industries.

Another issue which will be difficult, but to which we are committed and on which, I would say, right now there is no taboo on is the CAP issue. The CAP issue is dealt with through what is called, as you know, the 'health check' which is a sort of re-evaluation of the CAP on

some points, within the framework of the reform of 2003. The context of the CAP has already changed a lot and it continues to do so, so we are actually putting a set of questions about this issue, taking into account that there is a European specificity as we have seven million farmers and the United States have only two million, so this is something which makes us very specific. The questions would be: what form of food security do we have for Europe actually at the time when we are net importers of food in Europe and these imports are growing every year; what is the role for Europe in the present food crisis; what can we do regarding a balanced development of territories with the CAP; what are the environmental issues and all the discussion about the debate about biomass, how to encourage investments by producers having in mind that there are risks, climatic and sanitary risks; what kind of sanitary standards do we want for our consumers when importing food and not being in a mood of protectionism, but as an ordinary requirement from consumers themselves? So the EU is ready, as everyone knows, through the Doha process to dismantle the export subsidies, it is ready at the European level - this is in the mandate of Mr Mandelson - to reduce by an average of 50 per cent our custom duties, but what can be done? Everything is open on these issues, and there is a last question which is: what can we do so that there is a balance between food crops and export crops in the less-developed countries which cannot afford to go on the international market and cannot afford to invest in export crops?

Then the last priority is economic and financial issues. We are working very much, in particular, with the United Kingdom. The Lord Mayor of London and the City of London have visited Paris and next week our Finance Minister is coming back to London and delivering a speech to the City. We are working on financial stability since the financial turmoil started at the end of last year. We are working on the financial supervision in the banking system as well as on Insolvency II, and we are working also, regarding the economic growth, on a European Small Business Act which would be inspired by the American one and

would give more opportunity to SMEs to have access to public markets, freed from red tape and to have more possibilities to develop, so these are the bases of our Presidency. There are also the external issues and we can come back of course; I am at your disposal to answer your questions on these other issues.

Q2 Chairman: Thank you, Ambassador, for that very informative opening statement which gives much food for thought for members of the Committee, some of whom will be following up on the specific issues and priorities that you raise from the point of view of their own particular expertise as Chairmen of the Sub-Committees that deal with these issues. I just wanted to ask you one question about what I believe will be an important responsibility for the French Presidency and that is how you are going to handle the organisation of the choice of a President of the European Council because that has to be done, does it not, by 1 January at the very end of your Presidency? Could you tell us a little bit about what you are going to be able to do about that, how you are going to organise it?

HE Maurice Gourdault-Montagne: This is, as you said, Lord Grenfell, an important issue which may be decided during our Presidency and before 1 January if the Treaty is ratified, and enters into force. For the moment, there are consultations amongst the Governments. There are in fact two profiles actually. Either we want a visible profile for exerting the responsibility of a stable President or we want someone actually who goes direct into the mortar and deals with all the issues. This puts the question of the balance and the way it works between the stable Presidency and the rotating Presidency and, on this, there are not so many things in the Treaty itself actually. So, first of all, we need to have someone who is there to give the right answer when one wonders who is Europe, that is important, and then, according to the choice of the profile, we shall set the basis of how it will be run in the future, so for the moment things are very open. I would not mention names here because it would be improper. There are some names which have been raised, but none has yet been chosen; we

are discussing with our partners. Some say that there should be a balance between the genders, between the parties and between the north and the south, the east and the west, so we should try something which makes a consensus, and we shall try our best to reach a consensus, but for the moment the profile is not yet chosen and we still have choice and time for discussion with our partners.

Q3 Chairman: So the sequence is first the profile, then the choice of personality and then the definition of the precise role? That is the order in which you foresee it going?

HE Maurice Gourdault-Montagne: If I may add, Lord Grenfell, there is also the question of the High Representative.

Q4 Chairman: Yes, it has to be a balance between the three.

HE Maurice Gourdault-Montagne: Yes, exactly.

Chairman: Thank you very much indeed. Well, let us go now into some of the substance of what you have been speaking about.

Q5 Lord Tomlinson: My Lord Chairman, I just had one very small point. When Mr Kouchner espoused the virtues of Mr Felipe Gonzalez, he was speaking in a personal capacity and not reflecting the views of the Government?

HE Maurice Gourdault-Montagne: Lord Tomlinson, there are lots of names actually raised and the name of Mr Gonzalez is one of them. He is the Chair of the Wise Men Group set up in December 2007. He was received in Paris in this capacity as the Chair of this group which is discussing the future of Europe after 2020, but for the moment there is nothing formal.

Q6 Lord Roper: I have one very small point. Ambassador, the Treaty says that the President of the Commission should be chosen 'taking into account' the results of the

European Parliament elections. How is it possible then to get a balance before those elections have taken place?

HE Maurice Gourdault-Montagne: That is a point which is, if you will allow me, Lord Roper, a bit different. As you know and as you have just said, the Parliament will have to consider the choice of the President of the Commission as its own choice, which is not exactly the case of the two others, so this has to be to a certain extent separated from the two other issues.

Chairman: Could we go on then to pick up on what you were saying about climate change and energy?

Q7 Lord Jopling: Ambassador, is it not over-optimistic and unrealistic to suppose that the Union by the end of this year can get a consensus on climate change and energy?

HE Maurice Gourdault-Montagne: As I said, Lord Jopling, our purpose is in fact to push forward this issue. We have a package which has to be implemented, so there are issues on some Directives, the one arising on the ETS which I mentioned, a new Directive on renewables to share the burden on this issue as well, and a Directive which is being proposed so that other sources of the greenhouse gas effect are also taken into account, so this is, I would say, work in progress where we would like to go as far as possible, as well as the discussion on carbon leakage which is something some say should not be formally discussed before 2011, but which we think is necessary to address before the meetings of next year. So we shall do our best to go as far as possible as we think is necessary so that the basis for an agreement in Copenhagen is reached. We are in fact sharing views with major partners on these issues in the European Union, and with the United Kingdom we are very close on these issues, as we are since the Gleneagles Summit where in fact the targets were defined by the then Presidency of the G8, chaired by Prime Minister Tony Blair and then, during your Presidency of the European Union, it has continued, so it is a long process in which we are

now continuing the job already done. With the Germans, as maybe you have seen yesterday, there was an agreement on the CO₂ emissions of cars, so on all these issues step by step we are trying, as I say, to create a basis for a consensus. Whether it will be reached, I do not know, it is difficult to say, but the time for this convention at Copenhagen next year is very close to us and, if we do not want any vacuum after 2012 for the starting post Kyoto era, we need to reach something as early as possible.

Q8 Lord Dykes: Further to that, Ambassador, do you think that the United Kingdom and France are setting a very exciting example on renewables? Do you not think it is a bit modest, our targets for the two countries? Should we not have a greater sense of urgency on this matter in comparison with Germany, for example?

HE Maurice Gourdault-Montagne: As you know, we are starting from different points actually and the starting point for renewables in France is about 8 per cent on renewables. Your starting point is lower, if I am not wrong, so in fact we are setting objectives which are very ambitious for ourselves. It is a matter of political will and also of practicability and bilaterally, we are working very much on that and we are sharing a lot on these issues. Also in France regarding the renewables point, which has not been accepted by the Commission, we are producing non-carbon energy with all the nuclear capacity, so we would like this to be taken into account as well. The question is whether all these efforts are done for decreasing non-carbon energy or not. On these issues this is very ambitious, but we cannot but continue and try to be proactive and try to go as far as possible.

Chairman: Ambassador, as you know, Lord Sewel on your right is Chairman of the Sub-Committee that deals with agriculture and the environment and, as you also know, as indeed you informed me, he has recently met with Minister Barnier, and I am going to ask him to follow up on the CAP health question and then Lord Plumb, who is a member of his

Committee who also is a former President of the European Parliament with a very, very distinguished background in agriculture, so you could not ask for two better interlocutors.

Q9 Lord Sewel: Yes, you are not going to get a better one than me! Ambassador, there are two questions really, one to do with the short term and one to do with the slightly longer term. The short term really is the health check. We now have the Commission's proposals and it falls to your Presidency to work on achieving a consensus. How easy do you think that will be, given what the Commission has said, and where do you see the areas of difficulty? The second question, I think the longer-term one, is really as a result of the pretty sudden change in the sort of global context of agriculture. We now have the UN Secretary General saying things like members of the UN should increase food production by 50 per cent over the period to 2030. Now, that would seem to me to be such a radical change that it seems to me it should have profound implications for European agriculture and bring into question the whole sort of future nature and structure of the CAP, so I would be grateful for any observations you have on those two issues.

HE Maurice Gourdault-Montagne: I will be frank with you, Lord Sewel. I do not have the answers because the debate has just started actually and, when it was said that we would have this re-evaluation of the CAP actually, we did not know that the context would have been changed completely. Whether it will be easy and what are the difficult points, I cannot tell you. We are ready as far France is concerned, to discuss all the issues, but we are not sure that dismantling completely the CAP will be the proper solution. There is the link with the food crisis at the moment and the question is: what is the role of Europe in the whole context? There is the question of the Doha Round and I would put it aside actually because at the moment, when you see the new Farm Bill in the United States which preserves all the subsidies that were given before, I would say it is a setback for the present process. When we see Brazil or many other countries putting some export taxes on their own agricultural

products, it shows that things have changed completely in the world trade system, so the main issue to deal with, according to us, is first of all, what do we do in favour of the less-developed countries, what is made for their food security, what is the place given to food crops which they have been growing in the past and export crops. Regarding our continent, regarding the European Union, yes, the time for export subsidies is completely over and already it has been halved, as one knows very well, since the 1990s, and we can go further. This discussion will be linked one day with the budget. What are the means that we are ready to put in the machine so that it works? These are only questions at the moment and there will be lots of discussions about modulation, about the capacity of each country to go back on a national basis on some issues, on the size of the exportations. There are issues, which you know very well, which are environmental issues to which we attach importance as well and also the balanced development of territories and, for instance, when we think of the decoupling which will be a major issue, we are convinced that, for instance, in the mountain areas, if there is too much or only decoupling, there will be no longer any livestock farms actually which would be a major problem because why have cattle and devote so much effort if there is no payback or no payoff from that? That is something important. The quotas, for instance, the quotas for milk, yes, the quotas are questionable. Yes, there were huge bulks of butter in the past, but this is no longer the case now and the reserves of food in the whole world have declined by 30 per cent, so what do we do in that regard? There is also the question of the balanced development of territories which is linked with all these issues, so this is a comprehensive issue and, when we touch one aspect of it, then we touch the others. On these issues, as you have a position which has been always, I would say, different from ours, we need a discussion. If I may say, you handed over to the French Minister for Agriculture last time your report and we are scrutinising this report, it is highly interesting,

and there is a basis for discussion on every paragraph actually and we need each other to discuss more these issues at the moment.

Q10 Lord Sewel: Specifically on the health check, and I do not want you to commit in particular areas, but do you see the Commission's proposals as being a suitable base to take forward the discussion and work towards a consensus?

HE Maurice Gourdault-Montagne: It is a suitable base, yes, for sure, and this is the prefiguration of what one day the CAP should be. That is what I would say.

Q11 Lord Plumb: Ambassador, you mentioned two things, in particular, of many things in your opening remarks, one being food security which is now being seen, I think, throughout the whole world as one of the major issues, not just in respect of Europe, but also the rest of the world, particularly the developing countries. You also asked what role should we play in the present crisis. That inevitably means some fairly dramatic changes in the direction of the CAP if we are going to meet those commitments, and I would like to ask you what is the attitude at the moment in France to biofuels because biofuels have been the talking point? Yes, we can produce enough for both biofuel and for the food market, can we? Is that an issue that French agriculture is now looking at? In those so-called 'dramatic changes' and in that context, I think you referred to the American scene and the proposals that they have at the moment in the Farm Bill in America. It does seem that they have not recognised the importance of trying to bring about the necessary stability which, I think, is what matters. The instability we see now appears to be between one sector and another, the arable sector and of course then, as you have just said, the livestock sector. If one is at the expense of the other, what happens at the end of the day and where is the food coming from? These are issues that almost seem to be insoluble at the moment, but they have to be resolved and I, for one, hope that Europe can see the need for change to see the positive aspects of what we are

doing and, I accept, within budget control because you cannot go on for ever feeding through the budget yet more unless we know exactly what it is being used for. There are 1,001 questions, my Lord Chairman, that we need to follow up on which need a lot of further discussion, but these are the areas of concern.

HE Maurice Gourdault-Montagne: On the question of biofuels, I remember that three years ago or four years ago biofuels were the solution to everything and very soon one became aware that this had environmental consequences, it was a waste of water, but the investments were made. Actually, for the moment France is producing some biofuels, we have some projects, but we are very much debating and thinking that, yes, maybe we should put an end to this, to continue with existing plants for biofuels, but not to develop further because of all the drawbacks I was just mentioning, so this is, for sure, not a solution at the moment and not a solution to be exported to other countries. We have another issue in France which is the issue of GMOs, as you know, which is an issue on which we are working under the principle of precaution. At the moment there is a Bill which was passed into legislation in the parliament which gives us a bit more time to see, on a scientific basis, where we go, so it is an issue on which we are not really progressing, but on which the political debate is very sensitive and on which we have to be very, very cautious. These are all difficult issues which are linked together, although not exactly the same. On the question of America, I do not have any comments actually. I agree with your point of where is the balance actually, but this is very much linked also with the developments at stake in America and one does not know exactly yet what the future administration will be willing to do. What we are very much concerned about is that there will be a movement back to protectionism which is something that we cannot but fear.

Q12 Lord Jopling: Ambassador, I want to follow up on Lord Plumb's question, and I should declare an interest as one who has significant benefit from high grain prices. I

remember, when I was Minister of Agriculture many years ago, that the French and Italian Ministers got together, I think it was Rocard and Pandolfi from memory, and came up with this great suggestion of Valhalla of using grain and other vegetable products for making biofuels. When we looked into it, it was based on totally bogus economics and one wonders whether that still is the basis of the move towards biofuels. I would just quote you a comment which was made on the Front Bench here yesterday where Lord Howell said, “Was a distinction made between energy-efficient biofuels made from cane sugar which came from Brazil and biofuels produced by corn farmers in America and Europe which are energy-inefficient?” Now, do you not think that too much has been made of the advantage both environmentally and economically in turning food crops into biofuels?

HE Maurice Gourdault-Montagne: Yes, I do think so, too much has been made. That is the opinion of the French Government now and that is why we are revising our position on this issue, very much so.

Q13 Lord Tomlinson: Linked up with the agriculture question is the obvious question about the French Presidency’s intention regarding efforts to reform the EU budget. What do you mean by reform in terms of quantity and what do you mean by reform in terms of policies?

HE Maurice Gourdault-Montagne: As you know, Lord Tomlinson, this issue of the budget is not on the agenda of the French Presidency and we ----

Q14 Lord Tomlinson: But can you have a debate on agriculture without it being on the agenda?

HE Maurice Gourdault-Montagne: As I said, there will be a link, but for the moment it is more of a review, of a revision of what should be the CAP and what should be the new shape of the CAP than something which would be directly linked with the budget and for budgetary

decisions. We shall expect of course from the second half of the budgetary period the new Parliament to be elected and the new Commission to be named. In fact there was, by the Commission, a public consultation, as you know, regarding the budget to which we have answered and said that, yes, the CAP would be part of the revision of the budget and would be part afterwards as well as all the questions of the Structural Funds which are important for the new Member States and that it would be important as well to engage new common policies and a follow up to the Lisbon Strategy, which expires in 2010, and all of that all start under the Swedish Presidency, so this is a debate for after, but, as you say rightly, the debate on the CAP will not preclude what will be the budget for the CAP afterwards, but will give the shape of what are the needs to be met from the European budget in the future.

Chairman: I should say that Lord Roper is Chairman of our Sub-Committee dealing with the Common Foreign and Security Policy, defence issues and international development.

Q15 Lord Roper: Ambassador, in your remarks you talked about the review of the European Security Strategy. The original European Security Strategy was of course adopted on a proposal from the High Representative and, when he addressed the European Parliament last week, he made it quite clear that he was going to produce a revised European Security Strategy to be considered in December. How do you see the relative roles of the High Representative and the Presidency in the preparation of the revised European Security Strategy?

HE Maurice Gourdault-Montagne: There is a very constant relationship between the French Government, hence from the French Presidency-to-be, with the High Representative. Mr Solana is a man of experience and he has the advantage of having been the Secretary General of NATO, so, as far as we have worked with him for the moment, he never, I would say, was disloyal or betrayed anything we had to give him as a mission, that we had to task him with, so he will present this revised strategy, but in steady consultation with the Presidency.

Q16 Lord Roper: And with other members of the Council?

HE Maurice Gourdault-Montagne: Of course it will be proposed to the Council, it has to be proposed to the Council, and prepared in consultation with other members of the Council.

Q17 Lord Dykes: Ambassador, on the thorny and complex question of the pact for immigration, and Foreign Minister Kouchner has been referring to this many times, would it have helped the emerging debate on the very complicated territory if the French Government had made more public its draft outline putative proposals without being bound by them and without reaching conclusions too early? This surely would have helped the public debate and reassured the EU-wide public as well.

HE Maurice Gourdault-Montagne: I see this as a question which is very important. We have the feeling that this pact on immigration and all the issues which are linked with the pact have been in the public domain for some time, notably, since Mr Sarkozy discussed it at the time he was Home Secretary, which is not the same as now of course. Mr Jouyet (French Minister for Europe) came here recently (on 8 May) and delivered a speech at the LSE talking at length about this issue, but, if you say so, we should admit that there is a need actually of more debate and bringing all the issues more into the public domain so that there is a feeling of ownership of what is at stake in this pact for immigration, on which we are quite confident we shall reach consensus by October.

Q18 Baroness Howarth of Breckland: I wanted to ask about France's attitude towards Turkey and the accession and what you see as the possibilities and the impediments in relation to Turkey.

HE Maurice Gourdault-Montagne: As you know, Turkey has been a very controversial issue for France, but, although it was a controversial issue, decisions were taken and were always followed to go forward in the negotiations, so for the moment what has been said by

the French Government is that we stick to the decisions taken by the European Council regarding Turkey. We do not preclude what would be the result of the negotiations and we do not want to raise again any question of principle, whether it should be a partnership, a privileged partnership or an accession. There are 35 chapters and there are, according to us, 30 chapters which can be negotiated because they are chapters which, by all means, are worth being negotiated with Turkey irrespective of the end result of the negotiation. There are five more chapters which are more difficult as they imply inevitably accession to the EU. So we are ready to open some chapters under our Presidency and not to have any theological position about it. There are three qualifications used by the French Government, that we want to be neutral, we want to be impartial and we want to be objective regarding negotiations with Turkey.

Q19 Chairman: Ambassador, we have just a little time left and I have a couple of other questions I would like to put to you, and one is concerning EuroMed. I think there is some concern, particularly in the light of the fact that now we have the Polish and the Swedish proposal for the Eastern Partnership, and today I was reading, to my astonishment, that the socialists in the European Parliament are now suggesting that there should be a Black Sea Union. It all seems to be getting a bit out of control. I think we are quite clear now about how President Sarkozy has come to modify slightly the proposal on the Euro-Mediterranean Union and we do understand that it should be, as much as possible, budget-neutral, although of course there will have to be quite a lot of investment in projects. When Lord Roper and I were in Brussels at the joint meeting, I put the question to President Barroso, “Would the Eastern Partnership funding be at the expense of the funding for the western Balkans?” and he sidestepped the issue, which suggested to me that maybe he was not too sure about that himself, but would your position, the French Government’s position, be that the more these partnerships and unions proliferate, the less effective they will be? Maybe you could just tell

us a word or two about your attitude towards the Mediterranean Union and whether you have any comments on the proposals for the Eastern Partnership. I will not ask you to comment on the Black Sea one because I think that is very much up in the air at the moment, but maybe you would like to answer on the EuroMed.

HE Maurice Gourdault-Montagne: My Lord Chairman, there were lots of misunderstandings about this union, this Mediterranean Union when it was proposed, and maybe it was launched in a way that gave the misleading impression that it would be something which would be in competition with what already exists. In fact there are three factors. First of all, the EuroMed process is something important, but has not delivered concrete results so far in the process, so we pushed it, but the main merit was that Israel was included with all the other countries in this forum for the first time and that is an important result. Then there is an issue which is important for the countries of the southern part of Europe, the southern bank of Europe, which is in fact that we have populations in front of us who would like to normalise their lives towards Europe. They look at us through TV screens but they are not allowed to come and to experience this life for themselves, so there is a feeling of frustration and discrimination which is enormous, and neighbouring countries like France, but also Spain and Italy feel it particularly strongly. This is an issue which is vital. Third, we consider having some figures in mind that what we do for this part of the world which is so close to Europe is not enough. When we compare what is done regarding foreign investments of the United States towards Mexico, 20 per cent of American foreign investments goes towards Mexico. Japan invests 25% of its FDI in south-east Asia. Only 2 per cent of European FDI is invested in northern Africa and in the region considered by the project. This is too little considering what is at stake in this region, so this pushed us to take some initiative. Now, the result is that we will have a budget-neutral project which will be based on parity, which was not the case in the EuroMed process which was more north-south

and more unequal. As we shall have a core presidency in the process, there will be one country of the north and one country of the south, and therefore equality which is important. Second, there will be a secretariat, depending on the Secretary General of the Council, working on some projects which will be identified, selected and implemented by the secretariat itself and reporting to the European authorities, the Commission and Secretary General of the Council, so there is a feeling of ownership by these southern countries which was far more present than it was before, so this is the essence of the project. Third, it will be built around projects which will be concrete, whereas in the EuroMed process there were no concrete projects. For instance they could cover depollution, maritime surveillance, access to drinkable water, development of SMEs, a wide range, and we would like by the end of the year to have set up this secretariat with its executive structure and to have taken some decisions on the precise projects that I have just described, so this is something new on a region which is vital to the whole equilibrium of Europe. Regarding the other projects, we have nothing against them, but I am not sure that they should be put in the same terms because of not being of the same nature of what is this contact of Europe across the Mediterranean with countries of a special nature.

Chairman: Thank you, I think that makes clear where the French priorities lie as far as these arrangements are concerned.

Q20 Lord Wright of Richmond: Ambassador, I just wanted to ask a very quick question about how you see the Presidency's relationship with the Quartet in working towards a Palestinian state by the end of the year, which is the perhaps rather optimistic target which has been set. Also in relation to the last question, is there a risk that EuroMed will divert attention and indeed finance from the attempt to solve the Palestinian problem?

HE Maurice Gourdault-Montagne: I do not think so, Lord Wright. There is the Quartet and Europe has a role to bring to the Quartet, but what is the Quartet without the Americans?

That would be the main question, I think: what would be the action of the Americans during the electoral period? That is the main difficulty. At the present time, as you have seen yourself, where settlements are continuing and when one does not know exactly where the Israeli Government is orientating its policy, this will be the main problem, so, whatever EuroMed or other forums are doing, it will be a difficult issue.

Q21 Lord Harrison: Ambassador, the last priority you spoke of in your opening address was helping small businesses. How will the French Parliament avoid platitudes about small businesses like cutting red tape or making finance accessible, important though they are, and instead establish a plan which includes the completion of the Single Market as the most effective way of encouraging small businesses to work?

HE Maurice Gourdault-Montagne: You are right, we are always coming to platitudes in this regard. What I hope is that, since we have started to work very much upstream with the British Government, we shall avoid platitudes. We have been working very closely with Baroness Vadera since the end of last year, so there should be some practical measures for the support of SMEs, and access of the public market is something which is not very concrete and gives capacities of development to companies which would actually be rather focused or restricted in their capacities of action. We would like to give some capacities also for access to capital risk and to credit which would be something very concrete and tangible for the SMEs, so all these measures put together should give us something concrete at the end of December.

Q22 Lord Kerr of Kinlochard: Ambassador, supposing the growth of the European economy continues to slow, supposing Monsieur Trichet's next move is, as he hinted, an upward move in interest rates and, as a result, the dollar drops further against the euro. Will

France return to ECOFIN to demand more political control over the Central Bank? I remember the President's visit to ECOFIN last summer: will we see that again?

HE Maurice Gourdault-Montagne: Lord Kerr, if you have noticed, President Sarkozy has been less, I would say, expressive or talkative about these issues in the last months. We consider that the policy which has been run by the European Central Bank in the last months has been a proper one, in particular their management towards the financial turmoil, so I do not see any risk of having the position of the French Government and the French President in the way you describe.

Q23 Baroness Cohen of Pimlico: I am very interested, as Chairman of the Sub-Committee which produced our euro report, because when we published the report on the euro we discovered all sorts of myths about the euro had been demolished; that it was not going to tear Europe apart and the less well-developed countries, the southern states of Europe, were not going to have a problem with having their growth constricted. Do you feel, if the ECB rates do go up, that this would begin to make life difficult, and I am not thinking of France but Italy, Portugal, the countries that have suffered more?

HE Maurice Gourdault-Montagne: It is difficult for me to answer on behalf of these countries, as I am sure you understand, but the euro has proved to be the best protection for the European countries in the past. We had to suffer competitive devaluation which destroyed entire sectors of our activities; the textile sector and the leather sector were they destroyed. With the euro, in fact, we have had protection and that the critical mass protected us very much from being hit. Of course, it does not prevent us from a contagion of some effect in the financial system itself but, on the whole, regarding the economic growth of Europe, the euro has helped very much the European economy to continue to grow and not to be affected.

Q24 Lord Wade of Chorlton: Very briefly, I was very pleased with what you said about encouraging investment into Africa and clearly we have been very behind that, but I hope that that investment will be in such a way that it will not go to governments but will go to where it is needed into the economic needs of different countries, along the lines of Objective 1 and 2 investments in Europe. Would you agree with that?

HE Maurice Gourdault-Montagne: As you know, there are lots of measures taken now and very much pushed in the form at the G8 to control where this money goes, wherever it comes from. Much more accountability and good governance are now required from the governments in Africa, so I would not be so pessimistic regarding this issue of where the money goes.

Lord Wade of Chorlton: Well, I hope you become more pessimistic if you want to make full use of the money!

Chairman: Thank you very much indeed, Ambassador, and also Diego Colas, for being with us. That was very informative and very helpful to us. May I on behalf of the Committee wish France all the best with your Presidency. You said there are no great events contemplated, but who knows? Thank you very much for coming to see us.