



## **Interview with François Villeroy de Galhau, Governor of the Banque de France**

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***Stéphanie Antoine:***

**Donald Trump cast a shadow over the Davos forum and today, naturally, he is the subject of much attention. My guest is François Villeroy De Galhau. He is the Governor of the Banque de France. Thank you very much for being here with us. So, Mr Villeroy De Galhau, does Donald Trump worry you?**

***François Villeroy de Galhau:***

I think that it is still too early to tell exactly what and therefore have an opinion about what Donald Trump might do. Many uncertainties remain about his economic programme. However, at Davos, we all share, including developing countries and US business leaders, the conviction that we should not move towards protectionism as it would be bad news for global growth.

**Why would protectionism be bad news for global growth?**

***François Villeroy de Galhau:***

World trade must be orderly and obey the rules. We'll discuss this no doubt with regard to Brexit and what the European Single Market has constructed: the development of balanced world trade, with its rules, has greatly contributed to economic progress, including for the middle classes and the poorest sections of society. We have to keep this, while adapting the rules. We mustn't close the borders.

**Perhaps it would be like the 1930s, if indeed borders started to be closed?**

***François Villeroy de Galhau:***

We are not there yet. Once again, there are many uncertainties. Let's hope that the rather optimistic mood that we have been seeing again in the United States in the past two months continues and that we do not see on the contrary damaging policies emerge.

**So, turning to Brexit, it's true that Theresa May was in Davos the day before yesterday. Will Brexit be very costly for the United Kingdom?**

***François Villeroy de Galhau:***

Brexit is bad news for everyone but the UK economy will pay the highest price. Theresa May's speech at least clarified certain aspects of Britain's position. In response to this, European leaders, and they are in agreement on this, recalled a very simple consistency principle: the single market cannot be divided. There cannot be cherry picking, i.e. maintain access to markets according to what suits you, while rejecting what you do not like, i.e. the application of its rules. Free access and rules go together.

**So, the UK is giving up the single market.**

***François Villeroy de Galhau:***

Theresa May said that the UK would leave the single market because the British do not wish to apply its rules but she is asking for a free trade agreement. This will probably be a sticking point in the forthcoming negotiations, i.e. single market access without the rules.

**So she won't obtain it?**

***François Villeroy de Galhau:***

We'll see what comes of the negotiations. But if we take for example financial services, it is likely, given Theresa May's position, that the City of London will struggle to keep its "European passport" rights. Yet again, this is not what we Europeans want but it may be an opportunity for the euro area.

**Maurice Levy says that it's an opportunity for Paris. Banks might transfer jobs to Paris.**

***François Villeroy de Galhau:***

This might be an opportunity for the Paris financial centre. And, by the way, it's more like onshoring since it is business that international banks develop using European savings. Europeans generate a lot of savings – this is the raw material – and they are partly handled in London. If part of these savings is brought back to the euro area, this would perhaps be a positive repercussion of Brexit, although it is not something we wanted.

**Positive for Paris' financial centre.**

***François Villeroy de Galhau:***

There is a strong drive to attract international financial players to Paris. We are holding discreet but serious discussions with many of these players. One of them, HSBC, announced its decision two days ago to move 1,000 jobs to Paris.

**Is it the end of globalisation? While Xi Jinping, the Chinese president, advocated globalisation, Trump is promoting protectionism. Is this the end of globalisation as we have known it over the past 20 years?**

***François Villeroy de Galhau:***

I don't think that it is the end of globalisation but there is a will to create a form of globalisation that caters more for the welfare of all and especially those who feel left behind. From this point of view, I think that Europe has something to say. Europe does not have a very strong political presence today but Europe offers the examples of many countries that have succeeded economically, with high growth and employment (namely Germany, the Nordic countries, the Netherlands, etc.) and at the same time have a social model – the European social model – with strong public services, social protection and less inequality. This example of Europe is very interesting for the globalisation debate, and not least France. We can do even better economically, without giving up this social model. It is a question of reforming it, not abandoning it.

**Is this social model not in danger?**

***François Villeroy de Galhau:***

One of our problems in France is that this social model costs us more than it does our neighbours. We can therefore reform it, adapt it, but keep this European balance between economic success and social cohesion. Beyond Europe, this message can make itself heard in countries – as we saw with the American or British debate – where the question of inequality /has arisen. Europe has something to say. It is not the time to lower the European flag or abandon European pride. Neither is there room for complacency or negligence. France must step up its reforms and it must tackle unemployment by creating jobs. This won't happen by itself but we have many European neighbours that have shown us the way to economic and social success. We don't have to choose between them.

**Thank you François Villeroy De Galhau, Governor of the Banque de France, for joining us.**