
LE MAIRE: 'CAPITALISM IS IN A DEAD END, MUST REINVENT ITSELF'

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French finance minister Bruno Le Maire is determined to chair an efficient meeting with his colleagues of the G7 countries on Wednesday and Thursday. His goal is no less than to refound capitalism. As a first step, he wants to reach an agreement on the main features of digital tax, to pave the way for an international compromise by early next year.

Bruno Le Maire is the minister of economy and finance of France, which holds the presidency of the Group of Seven advanced economies this year. Le Maire spoke to EURACTIV and four correspondents from international media ahead of the G7 meeting in Chantilly on 17-18 July.

What could we expect from the meeting of the G7 in Chantilly?

For us, the big challenge is to rebuild capitalism in order to have a fairer model. Capitalism, as it exists today, is in a dead end and must reinvent itself. It is at a standstill because of rising inequalities and because of global warming, which today creates a deep concern for all our compatriots.

The role of the G7 is precisely to respond to its concerns, with effective and game-changing decisions.

What are the priorities for the meeting?

Firstly taxation, because it is the most effective lever to have a fairer capitalism. We want to reach a compromise on digital taxation. We also want minimum taxation. It is unacceptable that large corporations can escape paying any taxes.

The second goal is to progress on green finance. France is a leader on this subject. We are the first country issuing green bonds in the world. Behind green finance, there are significant technical challenges. For example, the taxonomy, meaning what criteria you use to qualify an activity as green.

The third topic where we want to make progress is related to the internet giants. First of all, there are cybersecurity risks. A second element is the reflection on Libra, the currency that Facebook wants to launch.

We want an effective regulatory framework. ECBs Benoît Cœuré will present an initial report. But the French line is clear: we will not accept that Libra is transformed into a sovereign currency that can endanger financial stability. We want the same strict rules that we apply to our currencies for Libra.

The fourth topic is inequalities, notably on wage inequality. We propose more transparency following for example the French model of reporting on wage inequality in companies. We will also work on the inclusion of women in banking, especially in developing countries. Melinda Gates will present the proposals of the Gates Foundation on this subject.

It is not the first time that France calls for an overhaul of capitalism. French president Nicolas Sarkozy did it in the aftermath of the financial crisis in 2008. Your call comes in the midst of the global trade tensions and the risk of a recession in Europe. Is it the right time to gather support among other nations?

Even if we are facing tensions, the risk of a trade war, and a slowdown in the economy, the necessity of paving the way for a new capitalism has never been so high. This is a key challenge for all of us, for all G7 countries.

Everybody is aware that global warming is the key issue for all of our citizens. We are also aware of the fact that the rise of inequalities between nations and inside the nations are, first of all, a moral issue and an economic failure. It is time to decide.

What do you propose?

Our new approach is based less on statements, and more on decisions. Less strategic plans, and more technical decisions.

For instance, we are fully aware that a levy on turnover is not the best way of taxing digital activities. But this was the only option to move forward fast and effectively at the national level. The G7 of the finance ministers must be an efficient one.

We have a vision, which is to build a fairer capitalism. But we also want to have the tools to reach that vision.

What do you hope to achieve on the digital tax, given that there is a US investigation on France's national digital tax?

We want to have effective taxation of internet giants. I made very clear from the very beginning that, as soon as there is an international tax on digital companies, we will withdraw our national tax.

Instead of putting sanctions against France, I will urge my American friends to enter into a fair negotiation to find a compromise at the G7 level. I really think that the fact that France has introduced a national tax has led to an acceleration of the process within the OECD.

What is the state of play of the negotiations in the OECD?

We are all aware around the table that taxing the turnover is not the ideal solution. If we adopted this option is because the other solutions are technically very complex, and with considerable risk of displacing the tax revenue.

First of all, we do not want to change the key principle of taxation. Levies are imposed where production takes place and not where consumption happens. On the other hand, we want to create the right to impose a levy on very profitable companies that operate on a territory with little or no physical presence.

The OECD is working on profitability thresholds from which taxation would be considered. The most complicated issue is to vary the level of profit that is reallocated according to the degree of digitization of companies.

What is the US administrations proposal?

Their idea is to take into account companies that do not have any physical presence within a country, and they are not taxed or have a very limited level of taxation. It is an interesting approach, provided that we are able to take into account also the specificities of the digital activities and the digital giants.

These companies have business models based only on data. There is a need to make a difference between companies for which digital activities are only part of their business model, and firms for which data is their business model. That's the technical point on which we are still working with the US. European countries really want the specificity of digital companies to be taken into account.

Are you still hopeful that an agreement could be reached by early next year, considering all the outstanding differences?

If we are able to find a compromise on the basis that I mentioned with the US, then there will be a possibility to reach an agreement by 2020 within the OECD. Otherwise, it is always very difficult to find an agreement among 129 countries, when seven countries have not been able to reach the same kind of consensus.

If we were not able to find a compromise on Wednesday and Thursday, it would be even more difficult to find the compromise at the OECD level.

What is the relevance of the G7 in the current world, given the global tensions?

The G7 is an occasion to discuss, to decide and to build solutions based on compromises, instead of building solutions on the basis of conflicts. It is not a problem to have different views between the US and Europe on many topics. But we should be able to gather around the table and to sort out the difficulties without threats and sanctions.

Since we are facing an unstable world and key challenges related to global warming, I really think that reinforcing the G7 should be our common goal. It is in the interest of all Western countries to

be able to define common solutions to defend our interest, vis-a-vis the rise of China or new technological challenges that we all have to face. I am deeply convinced that the G7 is a way of building trust among nations.

[Edited by Zoran Radosavljevic]

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