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**Paris EUROPLACE Financial Forum  
New York  
Tuesday, October 28, 2003**

**EUROPEAN ENLARGEMENT AND INTEGRATION:  
OPPORTUNITIES FOR US INVESTORS**

**Opening Address**

**Gérard Mestrallet  
Chairman, Paris EUROPLACE**

Ladies and Gentlemen,

Welcome to the Paris EUROPLACE Forum. This is the sixth Financial Forum held in your City, and we are pleased to continue these regular meetings with the New York Financial community.

As for me, however, it is the very first time I am participating in this event as Chairman of Paris EUROPLACE and I am very pleased to be here in that role.

The main theme of this year's Forum is "**EUROPEAN ENLARGEMENT & INTEGRATION: Opportunities for US Investors**". And the importance of this topic, as well as the value of this conference is underscored by the presence and support of many of the most renowned names in banking in the European equity and capital markets as well as the leading French, European and US speakers who are here today.

We also have the great honor of welcoming Mr. Francis Mer, the French Minister of Economy, Finance and Industry, who will host our luncheon. I would also like to extend all my thanks to several of our American friends who have agreed to take part in our discussions —John Lipsky, William Mc Donough and Bruce Wasserstein.

Before handing the floor to the speakers of our first morning round table, I would like to present a brief overview of the recent economic outlook in Europe and the role of the Paris Market in Europe's new financial landscape.

### **1 – First, let me say a word about the macroeconomic environment.**

**With the U.S. economy showing strong signs of renewed growth, we are beginning to see that Europe is following in its wake and gaining momentum.** Since the beginning of the fourth quarter, economic studies and analyses conducted by the leading international economic organizations confirm that the economies of the euro zone will pick up in 2004. In point of fact, the IMF expects an economic growth rate of 2 % for all of Europe in 2004, and the French economy is expected to parallel this rate of growth.

A critical element in achieving this goal, however, is supporting ways to increase both consumer and business confidence in general, and in the financial markets in particular.

Moreover, European Financial Market professionals insist in undertaking meaningful structural reforms, both in France and in Europe generally, with regard to social welfare, pension funds, and labour market regulations, in order to support the European markets in their efforts to compete more favourably amid their US and international peers. Indeed we will hear from both John Lipsky and Patrick Artus regarding some of these issues in the course of our first morning round table.

### **2 – My second point concerns the integration process of the European financial markets:**

Months ago, the European Commission published a study which evaluates many of the economic consequences from the process of integration of the European financial markets—a process that is now well under way. **The realization of this integrated pan-european equity and bond markets should, according to these studies, lead to major gains in efficiency, productivity and transparency, including a 0.5% reduction in the cost of capital, an increase in invested capital of about 0.5% and an increase in GDP growth of 1.1%.**

Already major progress has been made over the last several years. But now, with the double impetus of market forces and government action, the integration of the European financial markets is a near-term reality.

Many milestones have already been reached since the adoption of the EC action plan in 1999, which aimed at creating an open and secure common market in financial services. In fact of the 42 measures initially proposed by the EC plan, 36 have been successfully achieved.

In 2003 alone, several important EC directives were adopted including market abuses, professional retirement institutions, prospectuses and taxation of the income on savings.

This month we have seen another decisive step with the adoption by the EU Council of Finance Ministers of the Investment Services Directive (ISD) which enables one more key step towards the development of new trading systems and greater freedom of trade and transparency in our exchanges.

As the representatives of our corporations and as market professionals, we all desire to press ahead in the acceleration of this integration of the financial markets throughout Europe. We are working to reduce the costs of market access, increase transparency and develop more consistency and even convergence of global accounting standards and governance guidelines. Our objective is to foster the growth of a Single Financial Market, just as in the United States, for all categories of shareowners who will reap the benefits of an efficient, open financial market in Europe.

### **3 – The dynamic integration of European financial markets is also boosted by the recent excellent performance of the euro.**

Today, even though it has not become a reserve currency like the dollar, **the euro has reached equal status as a reference currency for security issues.** The euro-denominated bond market has more than quadrupled since 1998.

Over the past four years, the volume of new sovereign issues of the EU States has begun to exceed U.S. Treasury issues, and to do so dramatically. For example, in the period running from 1999 through the end of August 2003, the dollar represents only 70% of the equivalent issues in Europe.

Over this same period, the volume of international issues denominated in euros has grown to 2.7 trillion euros, which is 80% of the equivalent volume of international dollar-denominated issues.

Even if this trend in euro-denominated issues turns out to be slower in the capital markets, overall it would seem that what is developing is a **kind of more balanced global financial system.**

**4 – In this environment, Paris is providing the most efficient access to the euro zone markets.** This is confirmed by the evolution of our markets since the introduction of the single currency and will allow me to provide some proof points for this claim:

\* **First of all, Paris is home to many of the world’s largest international companies.** The 2003 edition of Fortune magazine’s “Global 500” indicated that across the 19 industry sectors surveyed, 8 American companies and 6 French companies were the world leaders in their respective industries, compared to just 2 German enterprises and 1 British company.

\* Furthermore, **Euronext today represents the largest stock market in Europe in terms of trading volume**, with a cumulative volume, since the beginning of 2003, of almost €900 billion, a significant lead compared to the London Stock Exchange (€660 billion) and the Deutsche Börse (€530 billion).

\* Looking from still another perspective, **consider the French asset management industry which now, after dramatic growth over the last year, ranks second** in Europe with €1.6 trillion in assets under management, behind London (€2.5 trillion), and ahead of Frankfurt (€1.3 trillion).

\* Finally, consider the **French fixed-income markets, which** today offer a much greater variety of signatures and investment opportunities. A growing number of Blue Chip companies issue paper in Paris. The latest BIS figures show that, with 200 billion dollars in outstandings, **France ranks first in Europe for international corporate bonds**, again ahead of both London (\$190 billion) and Frankfurt (\$80 billion).

\* **For all of these reasons, international investors are increasingly interested in investment and operations within the Paris markets.** The latest statistics available show that purchases of French securities by non-residents have increased by 155% on a year-over-year basis, growing from €35.5 billion to €90.5 billion. And while Investors from abroad have favored French equity markets, they have also doubled their purchases of both government and corporate bonds.

**5 – This kind of growth can only be sustained, and accelerated, in an environment where the fundamental covenant of trust between investor and management is secure. For this reason it is imperative that Paris, and the European regulators generally, continue to strengthen our standards of transparency and market efficiency. The Paris Market took a great step**

**forward in this direction with the new “Financial Security Act”** drafted in the same spirit as the Sarbanes-Oxley Act in the United States.

Specifically, this law aims at simplifying the organization of the Paris financial market, providing for the creation of a single **regulatory authority for financial markets and activities**, the “Autorité des Marchés Financiers” (AMF), or “Financial Markets Authority». The Financial Security Act, again like your Sarbanes-Oxley, also addresses such critical issues as auditor independence, enhanced financial disclosure rules, forbidding conflicts of interest, improving corporate accountability and governance, and in general, laying the foundations for building a lasting trust between investors and the corporation.

**Ladies and gentlemen,**

**In a global context marked by the sort of tensions we all know, on both political and economic levels, we, at Paris EUROPLACE, and all of the participants in the Paris Financial Market, are convinced that dialogue and cooperation between our two countries are now more essential than ever.**

I sincerely hope that today’s conference will allow us to explore new and efficient ways to form partnerships and identify all potential business opportunities that may create stronger links between US players in the financial industry and their French and European counterparts.