



**Paris EUROPLACE Financial Forum
Tokyo
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**EUROPEAN ENLARGEMENT AND INTEGRATION:
OPPORTUNITIES FOR JAPANESE INVESTORS**

Opening Address

**Gérard Mestrallet
Chairman, Paris EUROPLACE**

Ladies and Gentlemen,

Welcome to the Paris EUROPLACE Forum. This is the 7th Financial Forum held in your City, and we are pleased to continue these regular meetings with the Tokyo 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 Japanese 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 Japanese speakers who are here today.

We also have the great honor of welcoming Mr. Francis MER, the French Minister of Economy, Finance and Industry. I would also like to extend all my thanks to several of our Japanese friends who have agreed to take part in our discussions — **and more especially to Mr. Eiji HIRANO, Assistant Governor of Bank of Japan.**

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.

Since the beginning of the fourth quarter of 2003, 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.

On the other hand, enlargement of the European Union (EU) will present new significant economic opportunities in the form of a larger market. Adding the applicant countries to the EU's Single Market will create the biggest economic area in the world with 370 million inhabitants.

A market of this size can be expected to give a boost to investment and job creation, raising levels of prosperity throughout Europe, in both new and old member countries. Furthermore, new applicants countries have growth rates higher than the average of the countries of the zone euro.

Mr. Francis MER will go further into these subjects. Economic growth in Europe will offer now opportunities to Japanese investors.

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

The integration of the European financial markets is a near-term reality. In 2003 alone, several important EC directives were adopted including the Investment Services Directive (ISD) which enables one more key step towards an effective European financial integration.

Recently, the European Commission published a study which evaluates the economic consequences from the process of integration. **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 and an increase in GDP growth of 1.1%.**

These figures show that the integration of EU financial markets will bring significant benefits to businesses.

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

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. In the period running from 1999 at today, 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.

This means that today, even though it has not yet 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.

I would like to insist on the fact that enlargement of the European Union (EU) itself will be also a positive factor for the reinforcement of the euro as a reference currency. The euro may not be weakened because the economic size of the accession countries is still small compared to the size of the other EC members and the euro may even stay stronger because faster-growing new members will enhance overall growth in the euro zone.

4 – Finally, in this environment, Paris is providing the most efficient access to the euro zone markets:

*** 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 (in apparel, building materials, Energy, construction, entertainment and food and drug stores industries) were the world leaders in their respective industries, compared to only 2 German and 1 British company.

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

* **The French asset management industry 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.**

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 150% on a year-over-year basis.

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 their 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.

Ladies and gentlemen,

In a global context marked by all sort of tensions, on both political and economic levels, we, at Paris EUROPLACE, 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 Japanese players in the financial industry and their French and European counterparts.