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It has always been difficult to discuss industrial policy and national or European champions in Germany, a country in which classical economic thought has always been widely predominant. Exactly the opposite prevails in France, in which Keynesian thought is part of a natural political culture.

Yet it seems that both countries have – in part – agreed on a joint criticism of Brussels’ policy of competition, although they immediately diverged on the Alstom-Siemens case. This conference is a very useful opportunity for France and Germany, and more broadly for European countries, to have a closer look at things.

In Germany, Mario Monti’s policy provoked heavy criticism for not taking into account the German industrial model. The Chancellor himself intervened to explain that the Brussels vision of competition should take into account the fact that German domestic production still depends on industry to a greater extent than elsewhere. Such a German specificity should be supported, not fought against.

In France, what triggered the debate was the takeover of Pechiney by Alcan. A French champion, nationalised first, then privatized in poor financial conditions, was disappearing. The question was raised about the other champions: are they fragile? Are they in jeopardy of being taken over as well? What had the State done to protect Pechiney? What could it have done? What should it have done?

The concept of “industrial policy” was banned from the 1990s vocabulary after what was considered the failures of Mitterrand’s left, although an exact inventory has yet to be undertaken. It was taken for granted that the State should privatise and limit its role to the improvement of the economic, social and judicial environment of firms and let the market act.

This “hands-off” policy has indeed been that of Francis Mer, the Minister for the Economy, who,

although he had been warned by Jean Pierre Rodier, Pechiney’s chairman and CEO, did nothing to prevent the takeover by Alcan. The political classes reacted only after the fact, under the pressure brought to bear upon them by trade unions, political parties and the media.

The arguments brought forth to define a “new industrial policy” and a “defense of French champions” came under three headings.

The first argument is the importance of these groups to our national economy. Renault or PSA, Saint-Gobain or LVMH all have their headquarters in Paris, which implies high-level internal as well as external jobs for auditors, lawyers, and service companies of all kinds. This is an argument of the «pole» type: a firm exists in an environment and vice versa. As for the internal jobs, the news which went round after the takeover, concerning the departure of French executives and the moving of service providers to Canada strengthened the idea that the nationality of a firm still existed in the days of international pension funds. Furthermore, champions pay taxes which, even reduced through shrewd action by fiscal advisers, still represent essential assets for municipalities, regions and the State. Finally, the presence of champions warrants that the most advanced research laboratories are maintained in the country.

The second type of argument brought forth to defend a “new industrial policy” in France was that championed by Jean Louis Beffa, Saint-Gobain’s chairman and CEO. It says that the American model of such companies as Apple and Microsoft, which were created out of nothing in backyard garages, has never succeeded in taking root in France or even in Continental Europe. What rather seems to work is the Japanese model which rests upon big groups whose research is co-financed by the State. Japan and Europe would thus belong to the same tradition: it should be pursued and not given up through useless dreams of Silicon Valley.

The third argument rests precisely on what is being done abroad: Europe is “naïve” not to support its

champions when the American Department of Defense is handing out billions of dollars to its leading industries and when President Bush himself phones the Chinese President and others when it comes down to selling Boeings.

How can one sort through these arguments? As for me, I believe they can't be swept aside without thinking pragmatically. Siemens, Airbus or Fiat are heavyweights in the European economy. Better to have many champions than few. Governments and the Union's authorities must take their defense unblushingly, including when they go through dire straits as Alstom has. Provided, of course, that they need not be put on artificial life-support systems.

But there is one condition: that in return, these firms should bring economic and social benefits. This is a problematic aspect since we know very well that the most promising markets are in America or Asia and that these champions are naturally tempted to transfer their jobs, laboratories, and even, it is bound to come, their headquarters. So, industrial policy has to be on a give-and-take basis. Without economic and social returns, it would be better for member states to let champions go, let them survive as they can, and bet on venture capital, a European Small Business Act and that sort of Schumpeterian policy.