

## Can Europe defend its industry?

*This document is a summary of several articles from Le Monde dated 6 January 2011. It was released by InterInnov on 8 February 2011.*

### **The importance of the industry sector in Europe**

Europe currently remains the first industrial producer in the world. Europe must take advantage of this position and strengthen it because a strong economy can only be built on a strong industrial sector. In France, this sector represents more than 80% of the French exportations and more than 90% of the French private spending in R&D. Despite the financial crisis, large companies from the CAC 40<sup>1</sup> are expecting an increase in profits by 90% between 2009 and 2010.

Europe must restore the confidence of the citizens in its capacity to help the companies get stronger, through innovation and competitively. Indeed, this European leadership is slowly eroding to the benefit of developing countries.

### **The emergence of competitors from the developing countries**

In 2010, one out of three merger and acquisition (M&A) operations was made by a company from a developing country. China for instance is at the third place, neck and neck with France and Canada. Moreover, China is expected to become the first trading partner of Germany since it is currently its second largest supplier and is still growing. In Great Britain, 600 Indian companies have invested €10.5 billion, representing half of the European investments of India. Their objective is mainly to gain the technological know-how and the patents.

These companies from developing countries seem to benefit from a huge support given by their country, from public funding to financial support. For instance, Chinese companies have no difficulties getting funding from the two state banks (Eximbank and China Development Bank) and also benefit from liquid assets. The 122 biggest Chinese companies are expected to see their profits double since 2009 to reach €113 billion in 2010.

### **The solution: necessity of “reciprocity”**

In order to fight these new competitors, the French president Nicolas Sarkozy and his Minister of industry, Eric Besson, are calling for a less naive trading from Europe and reciprocity in the trade market. They are pointing out the fact that the companies from developing countries are unfair competitors because they benefit from their country's support. As a result, during the M&As, the Asian competitors have no difficulties proposing prices higher than the European companies by 10 to 20%.

As a result, the French Minister would like Europe to better defend its industrial interests by encouraging the European consumers develop a European preference. According to Eric Besson, a European cooperation on this subject is a necessity. At the same time, Antonio

---

<sup>1</sup> CAC40: share values of the 40 largest French companies.



Tajani, the European Commissioner for industry suggested the creation of a European Agency in charge of supervising foreign investments in Europe, in order to protect the strategic sectors of Europe. However, this proposition did not received the success it expected: the German minister of economy, Rainer Brüderle, as well as the United Kingdom both deeply opposed to any kind of protectionism, refused immediately this idea. France on the other hand might be more open to this perspective.