

OPINION COLUMN
17th April 2020

Opinion | Oxygenating our industrial SMEs to boost growth

Capitalizing on our pool of SMEs requires structuring an ambitious industrial policy. Considering more than just relocating production will help meet the needs of a local circular economy.

(By Anthony Dubut, President of InnovaFonds)

In France, as in the rest of Europe, the industry too often makes the news for reasons that are not very pleasing. The reasons for this are the cyclical ups and downs in the economy, but also the lack of vision of the policies that have been in place for decades. The Covid-19 crisis demonstrates the urgent need to relocate production for health and pharmaceutical purposes.

But the stakes are much wider: all sectors combined, it is urgent that public institutions support the industry, as private investors are doing today - and successfully, for 40 years. Too often neglected in favour of the tertiary sector, the industries in our territories deserve attention and substantial investment in order to redeploy themselves better and in a sustainable way.

At first glance, the picture does not look exciting. Our production tools are generally declining and ageing. For example, the number of robotized industrial facilities in France is 2.4 times less than in Germany and 5 times less than in South Korea, in proportion to the number of employees. Despite all this, many of our SMEs and industrial TWAs are leaders in their markets and have an international reputation thanks to their innovations and know-how: let's capitalize on them and learn from them!

For this, we need an ambitious industrial policy. All the more so as our companies can rely on a young population, endowed with technical and scientific know-how that the world continues to envy us. But doesn't this challenge go beyond our borders? There is a good chance that the answer must be formulated on a European scale, for a united recovery of our interdependent economies.

It is not simply a question of relocating health-related production tools, but of achieving a more ambitious rebalancing. Industry as a whole must respond to the needs of a local circular economy. If we want to produce while preserving the environment, let us play the pragmatism card to rethink the production chain and align it with the needs of the end consumer.

All managers tell us that we must give priority to small and medium series to better adapt to demand. This requires flexible, agile, and therefore robotized production tools, whose deployment is - contrary to popular belief - beneficial to employment: robotization and automation promote an economy built around a vast virtuous ecosystem (from raw materials to production, from logistics to transport, from training to know-how, etc.) that meets the needs of our territories.

A strong awareness and massive investment plans are therefore essential. Whether they come from the State, whose announcements to preserve the cash flow of companies are to be welcomed, but also from private players - whose virtues of long-term support are well known. But more than declarations, strong messages are needed from the highest institutions, because the managers of SMEs and TWAs must regain confidence over the long term to invest and thus rebuild, develop and/or modernise their production facilities.

A fiscal policy aimed at industry will be a tool for reviving the economy. Without upsetting the rules at each presidential term, let's play the agility card here too! For example, by allowing the depreciation of investments adapted to the rhythm of companies and by introducing simple rules of over-amortization,

in order to boost investment and promote growth. We must legitimately ask ourselves the question of the need to strengthen market surveillance and thus reduce the "constraint" of standards in the face of foreign competition. And finally, why not draw inspiration from our "German friends" in making provisions for future investments and thus anticipate growth!

In view of the scale of the measures to be taken, the Productive Pact, announced for April 2020, must become a real Marshall Plan. Industry, in France, as in Europe, will then return to the game of a globalized economy. All the more so as managers, employees and shareholders will be unfailing allies of the public authorities in this fight.

Anthony Dubut is Chairman of *InnovaFonds*, an investment fund dedicated to supporting innovative French industrial SMEs.