

ECONOMY AND CONVICTIONS

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FRENCH INDUSTRY: THE YEAR OF ACTION?

More than upending our habits, resetting our perspectives and changing our priorities, the health crisis we are going through has first and foremost shown a spotlight on deep-seated trends that had already been under way for several years. First of all, at a geopolitical level, by enshrining the emergence of **China**, and more broadly of Asia, which have shown remarkable resistance to the great global economic depression, further solidifying their role as the Gordian knot of the value chain. Our heavy reliance on Asian factories to produce our health equipment in the midst of a health emergency has revealed the scale of the problem. The Middle Kingdom, at the height of its power, is now in a position to overtake the socially divided American superpower. While **Joe Biden** seems to have understood this, and even if everything opposes the new tenant of the White House, there is no doubt that the pivot towards Asia, already begun under the Obama era, will continue to be pursued more vigorously with the new administration, leaving Europe – entangled in the disagreements of its leaders, hampered by the cumbersomeness of its institutional processes, and paralysed by the rise of populism – in the role of spectator at best, or, if nothing is done, as the understudy. **French industry, which now accounts for only 10% of our GDP, is threatened with an inexorable decline. Preserving and transmitting know-how, developing our capacity for innovation and rebuilding our means of production to enable us to regain our leadership and rank cannot be decreed.**

However, this rather gloomy picture should not be an incentive to give up. Fortunately, the crisis has brought about a healthy sense of awareness, as evidenced by an ambitious recovery plan. The issue is not only economic, it is first and foremost social: many of our departments, where the Yellow Vests have mobilised, still suffer from the stigma of this deindustrialisation.

Finally, of course, the stakes are political: **on the eve of the 2022 presidential election**, the executive should be able to boast of the first tangible results, likely to give a sense of hope and prospects back to the French, disoriented by the pandemic and prey to deepening fears of decline, of which our industrial downturn is one of the most symbolic markers.

More broadly, and we are convinced of this, this reindustrialisation must be borne by steadfast support for innovation, research and lifelong learning at a European level, with the aim of making France and Europe credible economic competitors, capable of competing over the long term with the American and Chinese giants.

The first elements bode well for the rebirth of French industry. Prospects for a 10% rebound in manufacturing by 2021, and even for new hires, are emerging in a sector that has been badly affected by the restrictions still in force, but is much less affected than many tertiary activities. However, over the long term the challenge will not be so much to relocate as to maintain the productive base in France around high value-added and non-relocatable jobs, in order to provide leverage in the face of increasingly fierce global competition. In this regard, the massive reduction of production taxes and state financing of innovative industrial projects will allow us to turn things around. But we need to go further; we need to work on better training and retaining our best talent if we do not want it to go elsewhere. Numerous mechanisms are emerging and remain to be imagined, promoted and deployed to bring back the allure of Made in France, revive our industrial tradition and restore our damaged social fabric. **At FairValue Corporate & Public Affairs we continue to work towards this goal, supporting our clients, lobbying public authorities and working alongside men and women in solidarity. We are absolutely convinced that:**

The best is yet to come!

CÉSAR LESAGE
EDITOR IN CHIEF - EXECUTIVE DIRECTOR



Pandemics strike in all directions: COVID-19 has affected nearly 110 million people worldwide, including 35 million in Europe, and the EU economy is expected to shrink by 7.4% in 2020.

Our vision of reality has been affected: a virus was enough to halt progress that we thought was exponential and eternal; the advances seen as a springboard to new achievements now seem to be slipping away from us; the fault lines that affected the “world before” are dangerously stressed by the rules of total isolation and/or social distancing that have been imposed on us.

Although the cohort of deaths and serious after-effects combined with persistent uncertainty does not give much cause for optimism, there is no lack of reasons for hope:

- By keeping most activities up and running, **digital technology has proven to be a powerful demonstration of how much we can continue to do remotely**. As a result, it has gained a foothold in policy thinking: the President of the European Commission announced in her State of the Union address on 16 September 2020 that a 20% digitisation threshold would be applied to benefit from the emergency funding adopted on 21 July 2020.
- In turn, the breathing space created by the virtual cessation of daily population movements seems to have convinced those who govern us of the **need to implement the UN recommendations on sustainable growth without delay**.
- **Global industrial production took only 7 months to recover from the pandemic, compared to 22 months** to recover from the 2008-2009 recession.
- According to the latest [UNCTAD report](#), **the share of e-commerce in global retail trade rose from 14% in 2019 to around 17% in 2020**.



Beyond the statistics, we can only welcome a certain number of current readjustments:

- Although technology has considerably cushioned the economic, psychological and social damage of the pandemic, it has lost the panacea status that once made it a hallmark of data-driven societies. The vicissitudes we are experiencing are a timely reminder of **the vital importance of human values**, putting an end to the drift that led us to confuse tools with life projects: those who have seen a parent equipped with sensors, surrounded by screens, but inaccessible because of the risk of contagion, only to have them disappear forever, will have definitively recalibrated their value system, which was momentarily led astray by the prowess of technology.
- In the same paradoxical vein, while business demonstrated its agility by, in a matter of days, converting entire factories to serve public health or redirecting its supply chain by guaranteeing seamless connectivity by putting effective vaccines on the market in record time, it is the State that collects the fruit and makes a comeback: everyone agrees that nothing in fact can happen without its intervention, whether commendable or questionable. As stated by **Fabian Zuleeg, President of the European Policy Centre**, *“The market is nowhere near close to fixing itself. This crisis will be long-term and require an increased presence of the State on economic, social and political fronts”*.
- To fully benefit from the windfall granted to them by European institutions (the 750 billion **“NextGenerationEU”** programme borrowed and repayable by the Commission on behalf of the Member States and a multiannual financial framework of €1,074.3 billion for the 2021-2027 period), the EU Member States will have to coordinate their actions, thus discovering the virtues of a solidarity that has long been the least of their worries.
- Finally, the EU's relations with the rest of the world should take a new turn as Brussels learns to make decisions more quickly and speak with one voice. The pandemic has shed a cruel light on the shortcomings of “soft power”: how can one export one's values when one's only armed wing is the paper tiger of one's legal systems? **The High Representative of the Union for Foreign Affairs and Security Policy** sums up the dilemma of his mission as follows: *“Europe should be faithful to its principles without being dogmatic. Open without being weak. Committed to progress without being naive. We must act multilaterally whenever possible, and autonomously when necessary”*.

Faced with a series of unpredictable and unprecedented obstacles, the European Union is experimenting, not without pitfalls and setbacks, with an innovative modus operandi that some have called the “new normal”, a term that French Commissioner Thierry Breton rejects on the grounds that fortune favours those who know how to anticipate and manage challenges, which are, by definition, resistant to the application of standards. If we were to use this neologism, however, a new European-style normality could not do without a strong digital component. **The pandemic has the rare virtue of finally giving substance to the discussions on digital transformation and on the constantly postponed advent of a single digital market, thus accelerating the manoeuvre towards a “digital Europe” capable of once again playing in the world's big leagues.**



PATRICE CHAZERAND
SENIOR ADVISOR - OF COUNSEL

For this first edition of our newsletter, we thought it necessary to devote a few lines to one of the most dynamic and surprising topics on the European scene: the **Italian political parabola**.

It is still too early to tell whether this parabola is ascending or descending, but what is certain is that 2021, the year of the revival and defeat of the virus, will undoubtedly mark the beginning of a new era.

As the former president of the European Central Bank, **Mario Draghi**, enters the Quirinale at the call of strategist **Sergio Mattarella**, who is facing a new government crisis, a new breath of consensus and unity has wafted over the cradle of Western history.

In the midst of Italian political disorder and an unprecedented economic and health crisis, fate on the one hand and the wisdom of the President of the Italian Republic on the other have led Mr Whatever It Takes to play the role of leader in what is shaping up to be the darkest hour, and whose arduous task will be nothing less than to ensure the survival of his country.

Indeed, the whatever-it-takes approach will be more necessary than ever to be able to meet all the deadlines that are looming before this new army of miles, consisting of, to the great surprise of some, a large number of political figures and a modest team of technicians who will have the thorny task of guaranteeing the national cohesion necessary for the implementation of the vaccination strategy and the organisation of projects to be presented to the European institutions in order to give life to the much-acclaimed recovery plan.

However, it is important to emphasise that in pivotal moments such as the present the heart and soul of the Italian people are quick to emerge. A nation of workers and entrepreneurs that has always been at the forefront from a commercial, industrial, and innovative point of view. A nation that for political and cultural reasons has had to adapt to an atmosphere of constant uncertainty and instability. And it is in spite of, or rather because of this instability that Italians have developed a spirit of adaptability and a sense of pragmatism and business that is unrivalled throughout the world.

The history of Italy is like the legend of the Phoenix, always ready to rise from its own ashes with strength, ingenuity and cunning. This history is the most concrete proof of the existence of great figures, from all social classes, who were able to play the role of leaders of the nation. Leaders who were able to go beyond politics and individual and sectoral interests. Starting with the anti-fascist entrepreneurs **Adriano Olivetti** and **Enrico Mattei**, cosmopolitan industrialists such as **Giovanni Ferrero**, and patriotic writers such as **Italo Calvino** and **Elsa Morante**, figures who enabled Italy and Italians to face fascism, wars and the economic backwardness that followed, and to become one of the world's greatest economic powers, a bulwark of democratic values and a pioneer of European construction.

Following in the footsteps of the past, we are sure that in this time of responsibility the Italian and European technician par excellence, the Brussels banker, will be able to overcome the existing political tensions, reassure allies and investors and lead the Italian economic and industrial fabric **along the path of renaissance**, so that the country of the **Grande Bellezza** can return to shine within its national borders and beyond.



MARCO ROCCHI
PUBLIC & POLITICAL AFFAIRS CONSULTANT



OH, HOW NICE IT FELT TO BREATHE FREELY... AND TO BREATHE TOGETHER!

It is undeniable that the COVID-19 crisis was an unprecedented shock for the whole world and that it has wreaked havoc on an individual as well as private and professional levels in all countries and to varying degrees, with only a few rare exceptions. Specifically in Europe, at the corporate level managers and employees were forced to leave their comfort zones and break with their habits, routines, respective roles and customary behaviour.

Organisations were thus challenged to adjust very quickly to deal with the emergency. With the confluence of crises – health, economic, social and environmental – the situation has changed and all stakeholders must now consider the lasting economic, social, and human impacts of this unprecedented and sudden experience.

Breathing is the root of all life and is even more vital in togetherness

Breathing at work, however noisy and hectic the activity, remains an essential ingredient in the effectiveness and efficiency of organisations. The crisis has thus adjusted the role of individual proximity and committed organisations to a greater humanisation of management, with new forms of work organisation and new flexibility. It has also led to the emergence of a human and social structuring that is more marked in its differences, particularly with regard to the capacity for effort, with *sprinters, marathon runners and anti-runners*.

It is also during crises that personalities reveal themselves. From those who breathe like someone taking their courage in both hands, ready to fight all battles and win, to those who breathe softly to save their breath in the hope of better days, and those who hold their breath awaiting the next disaster, we find all the cases, just as we do in the whole of human nature. The real leaders, on the other hand, were able to convey energy that was positive and contagious despite the uncertainty generated by the coronavirus.

Indeed, it is crucial to admit that if the COVID-19 crisis is an accelerator of human nanoparticles with negative externalities on our socio-economic system, these will eventually become positive again with time: it is therefore advisable to hold on and...learn to breathe. These invisible transformations that were in the making before the crisis will also structure our new normal, helping companies and their managers adapt their actions and practices.

Thus another victim of the COVID-19 crisis is the quality of employment at an international level. The predictions of the International Labour Organisation over the last few months, which have been updated exponentially, confirm a trend towards the loss of a large number of jobs and the deterioration of job quality in several sectors. In other words, in addition to unemployment, in the short term the quality of jobs and even the quality of existing jobs will deteriorate, although this will vary based on the sectors and geographical areas concerned. In concrete terms, this will result in a tendency towards precariousness, with more restrictive and less well-paid jobs.

Of course the experience of the pandemic will leave deep scars, but to make us believe that nothing will be as it was before is just a position that some people want us to adopt in order to enhance their economic or intellectual goodwill. Because the economy, just like living beings, will catch its breath: the evolution of the quality of employment will tend to be superimposed on the evolution of the economic situation, which generally follows a U-shaped curve after a crisis. This means that after a short-term deterioration there will be a long-term upturn.

Catching our breath to start again...without hyperventilating!

The economic shock that we are going through is changing our state of consciousness and our perspectives by leading us with a new breath towards a community of interests and a freedom that is no doubt better thought out and shared:

Talking about long-term growth is therefore not the result of naïve optimism or excessive holotropic breathing, but the conclusion of an analysis of the long-term economic impacts of almost all past crises.

Romain Gary wrote: ***“the truth is that there are moments in history, moments like the one we are living, when everything that prevents man from despairing, everything that allows him to believe and continue to live needs a hiding place, a refuge. Sometimes this refuge is only a song, a poem, a music, a book”.***

This refuge can also be a place or an environment where you can breathe.

Freely.



ANNE MAZOYER-JANKOWSKA
PRESIDENT

Newsletter - Economy and Belief

Director of Publication: Anne Mazoyer-Jankowska
Editor-in-Chief: César Lesage

Contributors to this issue: Patrice Chazerand, Marco Rocchi.

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