

France tripled its investment abroad from 1986 to 1993, with most of the growth occurring between 1989 and 1990. Thus, French DIA grew very rapidly as a percentage of trade until 1990. Since then, French investment outflows have remained flat relative to trade, with annual increases being offset by subsequent declines. This is confirmed by Figure F-2, which highlights the ratio of investment to GDP over the study period, again indicating that French investors have become much more outwardly oriented. In fact, French DIA relative to GDP grew from less than 0.6 per cent of GDP in 1986 to more than 1.7 per cent of GDP in 1993.

In the past, investment restrictions largely prevented foreign direct investment in France. However, as a condition of its participation in the European Common Market, France implemented more liberalized investment measures. As a result, FDI in France has increased rapidly, and inbound investment stocks in France were estimated to be U.S. \$125 billion in 1993.² Thus, foreign direct investment in France has been increasing steadily throughout the period, despite the global recession of 1990. France is, in fact, the only country covered by this report to have enjoyed steadily increasing foreign direct investment inflows during the 1990 -1992 period. In addition to the investment restrictions being lifted as part of the European Common Market, a major privatization effort by the French government over the period has resulted in additional opportunities for foreign investors. Consequently, the foreign investors have found targets for investment in France to the extent that it has completely offset the effects of the global recession of 1990, which depressed investment levels in all the other selected economies.

Figure F-1 illustrates that inflows of investment to France continued to rise relative to trade almost continuously throughout the study period. In fact, foreign direct investment doubled between 1986 and 1993, representing a growth rate of almost 7 per cent per year. This represents inflows of foreign direct investment to France relative to GDP of more than 1.7 per cent of GDP for 1993, up significantly from 0.33 per cent of GDP in 1986. Thus, the growth of French foreign investment levels

² The estimate was prepared by extrapolating the French growth using investment stock data from the *World Investment Directory* over the available period to 1993. This figure was verified by adding the 1993 flow data (from the IMF) to the 1992 stock from the *World Investment Directory*.