

I. The French Economy on the Eve of the 21st Century

A. A Major Economic Power

With a 1996 gross domestic product (GDP) of US\$1.6 trillion, France has the fourth largest economy in the world and ranks second within the European Union (EU). Its industrial output is the fourth largest in the world. France is the leading agricultural producer in the EU and the world's second-largest exporter of agri-food products. France is in fifth place as an international investor, and third place as a destination for foreign investment. It is also a major player in international trade. France is the world's second-largest exporter of services, after the United States. In 1996, it stood fourth in the world as an exporter and fifth as an importer of goods. France also ranks third in terms of its public and private investment in research and development (R&D).

France's principal trading partners are the other members of the EU, which account for 64% of its trade. Trade between France and Canada represents less than 1% of France's international trade, and Canada ranks 22nd among its economic partners. France has an open economy; its major economic sectors are subject to competition from all over the world. Although other European countries provide its main competition, the United States and Japan are also significant competitors.

Many sectors of the economy have benefited from heavy investment in research and development and related infrastructure, under activist industrial policies pursued by the French government. This investment is particularly important in transportation, where France has developed leading-edge railway and aerospace technologies. While these

sectors do not hold great potential for direct exports, they do offer Canadian firms opportunities for strategic alliances and partnering, transfers of technology and even subcontracting. Canada's position as a gateway to North American markets through the North American Free Trade Agreement (NAFTA) is a definite asset in this respect. There are other sectors, too, where French companies have attained worldwide competitiveness and where there are real possibilities for outside firms to establish a market presence, as demonstrated by the successes of U.S. and Canadian firms in information-processing services.

There are in fact many market segments where foreign suppliers, including a number of Canadian firms, are successful: machinery and equipment, informatics equipment and services, cultural products, medical equipment, processed food products, security equipment and services, chemicals, and electronic components among others. The competition is strong in each of these sectors, however, and needs to be thoroughly assessed in advance. The keys to success in penetrating the French market are price, quality, design, innovation and an effective market presence or representation. To these must be added, in the case of electrical and electronic products, the willingness to invest the time and money to obtain certification and approval.

The latest EU forecasts for 1997 and 1998 confirm that economic recovery is under way throughout the European Union: growth is projected at 2.3% for 1997 and 2.8% for 1998. The French economy is clearly going through a period of transition.

