
FRENCH INVESTMENT IN CANADA AND CANADIAN INVESTMENT IN FRANCE

French Investment in Canada

The book value of direct French investment in Canada was C\$1.43 billion at the end of 1985, or 1.7 per cent of the value of all direct foreign investment in Canada. France is the sixth most important foreign investor in Canada, behind the United States (75.4 per cent), Britain (9.2 per cent), West Germany (2.9 per cent), the Netherlands (2.4 per cent) and Japan (2.4 per cent).

In 1986 the United States received the lion's share of French investment abroad, having had 46.8 per cent of the net amount followed by the main European partners of France: Switzerland, Britain, Italy, the Netherlands and Germany. Nevertheless, last year Canada received some 2.3 per cent of all French investment abroad. French investors controlled assets estimated at C\$3.3 billion in Canada in 1983. This was 2.3 per cent of all foreign assets in Canada and placed France fourth among foreign investors behind the United States, Britain and the Netherlands.

The assets of non-financial French companies established in Canada are present in most sectors of the economy, including mining, construction, business, services, manufactured products and EDP. Among the major French companies significantly involved in Canada are P echiney, AMC/Renault, Lafarge Cements, Michelin and Liquid Air.

Recent changes in French legislation pertaining to investments, designed to assist companies wishing to establish themselves abroad, have certainly influenced this global movement of investment away from France. But no doubt the French companies, attentive to market fluctuations, realize that a lack of business networks, affiliates and industrial establishments abroad, especially on the vast North American market, is a serious handicap to their business, and in order to develop they must have a permanent presence in the place where the competition is.

Thus in 1986, Canada, which at times has been seen as entry point from which to penetrate more effectively the North American

market, attracted nearly twice the amount of French industrial and commercial involvement than in 1985. At the same time the share of French investment devoted to other traditional trading partners declined.

Canadian Investment in France

Direct Canadian investment in France was C\$346 million in 1985, or 0.7 per cent of all direct Canadian investment abroad, up 21 per cent from the previous year. Canadian companies with significant investments in France include Bata, Massey-Ferguson, Moore Corporation, Polysar, Alcan and Inco. More recent investments in France include those by Canadian companies such as McCain Foods Ltd. (potato processing), Tridon Ltd. (auto parts), Cognos (software) and Cascades (cardboard and paper).

New measures have been taken, mainly since May 1986, which should encourage foreign investment in France. Price controls are gradually being eliminated, employment legislation will be modified, the rate of taxation on corporations will be lessened, and there will be more flexible rules for borrowing money in foreign currency.

With these incentives, coupled with the more flexible regulations now being introduced and the privatization of several state-owned corporations in France, there may be an increase in Canadian investment in France, in the medium-term.

The importance of French investment in Canada is illustrated by the fact that there is four times as much French investment in Canada as Canadian investment in France.