
ucts. This is the result of an expanding cooperation in research and development activities especially in the military field. Canada's bilateral trade in defence products with the F.R.G. is the second largest in value terms after that with the U.S.A. Germany is Canada's third most important source of foreign direct investment following the U.S.A. and Britain. Prospects for increased investment in Canada by German firms remain very good.

France

President François Mitterrand

François Mitterrand was elected President of France in May 1981, after 41 years in politics.

President Mitterrand has had a seat in the National Assembly since 1946, except for an interruption from 1958 to 1962. He became a Cabinet member in 1947 and was eleven times a minister under the Fourth Republic (1945-1958). In 1965 he stood against General de Gaulle in the Presidential race and obtained 45% of the votes in the first ballot. In 1971 he brought together a number of parties of the left and restored life to the Socialist Party. He was narrowly defeated in the 1974 elections by Valéry Giscard d'Estaing. The 60 year-old President Mitterrand has degrees in law, literature and political science.

This will be President Mitterrand's sixth economic summit. He will be accompanied by Prime Minister Jacques Chirac and Foreign Minister Jean-Bernard Raimond. Mr. Mitterrand's personal representative is M. Jacques Attali.

Recent Economic Performance

The inflation rate was brought down to less than 5% in 1985, its lowest level since 1968, by the Socialists' policy of austerity. Initial forecasts for 1986 set the inflation rate at 3.5%, but this has since been lowered to 2% as a result of the abrupt decline in world oil prices. France should benefit greatly from the decline. Its trade balance might change from a deficit in 1985 to a surplus this year. Likewise the economic growth rate might reach 3% in 1986 rather than the 2% initially forecast.

At 10.5% the unemployment rates remain high, and job creation, especially for youth, is one of the government's main priorities. The new government will also rapidly introduce some policy changes, especially in the economic sector, the most spectacular of which could be the privatization of many companies nationalized by the previous government. The recent downward realignment of the French franc within the European Monetary System will improve French competitiveness.

Canada-France Relations

The success of the Francophone Summit and Prime Minister Mulroney's recent visit to France have underscored the quality of our bilateral relations as a result of the Canadian government's policy. The coming months will be busy ones bilaterally and will enable us to take stock of our overall relations in the context of three joint commissions: the Economic Commission, the Scientific Commission and the Cultural Commission.

Economically, France is our ninth trading partner. In 1985 trade between us totalled more than \$2 billion, with Canada experiencing a deficit of more than \$500 million, due mainly to exchange rates favourable to the French franc. The flow of trade is below the potential of the two countries, and with this in mind the two governments have pledged to work toward increasing it, primarily through intensified industrial cooperation and investment. The Canadian government, for example, will support the participation of Canadian firms in Eureka projects.

Canada and France have extensive relations in the cultural sectors and the two countries have signed an agreement to encourage the co-production of films and TV programmes. Scientific cooperation has also made excellent progress. Informal exchanges between scientists and members of the university community, concerned primarily with basic research, are numerous and fruitful. More formal cooperation also exists among government departments concerned with technical and scientific matters.