

7. INDUSTRIAL CO-OPERATION

It is a well-known and accepted fact that investment and participation in a country's economy, especially when they involve a transfer of persons, will favour the development of bilateral trade and improve political and economic relations.

France, as opposed to the U.S., Germany and Britain, has never been an important foreign investor except, of course, in former colonies where it dominated the economy for many years, blocking all foreign competition. But, as explained earlier, France realized a few years ago that it needed to invest in the industrialized world in order to improve its commercial balance, increase exports and obtain much-needed natural resources.

French firms, with few exceptions, have traditionally avoided the North American market which, it was felt, was too complex and distant to offer opportunities for more than the export of traditional products such as wine, perfume and high fashion. Recent successes of Elf-Aquitaine, Renault, Ciments Lafarge, Air Liquide and so on, the introduction of French banks in America, as well as governmental encouragement to have French concerns participate in foreign projects, particularly in the energy sector, prompted other French multinationals, as well as small and medium-size enterprises, to take a closer look at the North American market and to invest in it.

For the French, of course, Canada could be an ideal springboard to U.S. markets. Additionally, France's need for secure sources of energy and the mutual desire between the two governments to increase trade and economic ties, are encouraging factors in promoting industrial co-operation between the two countries.

Direct Investments

French investment in Canada was \$656 million in 1978 (the last year for which statistics are available) and represented 1.4 per cent of all foreign investments in Canada, placing France in sixth place of foreign investors after the U.S., Britain, Germany, the Netherlands and Switzerland. In 1978, France was the ninth most-favoured country of destination for Canadian investment with \$215 million. The principal Canadian investors in France were Alcan, Polysar, Massey-Ferguson, Inco, Seagrams, Hiram-Walker, Denison Mines, Bata, Campeau, Robert Morse, Cercast, Lavalin, S.N.C. and Velan Engineering. Recently, McCain Foods Ltd. opened a \$23 million plant at Lille; Mitel Corp. has invested in a plant at Epinal which will commence production in 1984.

Transfer of Technology

France is a large-scale developer of process technology and new products, spending between the government and the private sector considerable amounts of money on research and development. A certain number of firms seek to sell this technology abroad through licensing agreements and joint ventures when exports are not feasible, or when the

firms themselves do not possess sufficient managerial skills or financial strength for direct foreign investment. In recent years the transfer-of-technology approach has been developed with so much vigour in France that a dozen brokerage concerns have been established to encourage the flow of technology abroad.

Canadian and French officials meeting in the framework of the Franco-Canadian Working Group on Industry and Agriculture held on March 30, 1982 and the France-Canada Economic Commission held on April 1, 1982 agreed that forestry products, petrochemicals, robotics, mining equipment and aerospace sectors were the focus of industrial co-operation.

In collaboration with the Post in Paris, the Office of Trade Development-Europe of the Department of External Affairs and sector branches of ITC/DREE, specific areas of interest and projects, which represent important medium to long-term industrial co-operation potential to Canada through direct investments, licensing agreements and joint ventures, were: aerospace, defence, industrial, energy, telecommunications and information processing. It must be borne in mind that most mega-projects included within these sectors will very likely be subject to Canadian government policy considerations. The following is not an attempt to influence these policies, but to show where some of the opportunities exist. It must be pointed out that the sectors and projects described below do not constitute an exhaustive list of opportunities. Potential also exists in other areas notably, machinery, resource, agri-food and off-shore structures.

1. Aerospace

Canada is one of the leading world markets for helicopters (the second largest commercial non-military market) yet there is no domestic facility for helicopter production.

Discussions have been held in the past with numerous helicopter manufacturers. The focus of these discussions has been to encourage the firms to examine Canada as a base for a facility to meet not only Canadian needs, but also those of the world market through such means as a world mandate for certain products or a product line. The second largest helicopter manufacturer in the world, the French firm Aérospatiale, has shown an interest in working with Canadian industry to meet domestic and some world market requirements from their range of helicopters. The Canadian participant could be given a world product mandate or be a sole supplier of the products. It must be pointed out that foreign helicopter manufacturers interested in a Canadian venture are cautioned against necessarily linking their presence in Canada to the National Defence procurement of helicopters (see 2).

Airbus Industries, an international consortium comprising France, Germany, Britain and Spain, announced at the Paris Air Show in June 1981 that it will proceed with the development of a 150-passenger class aircraft identified as the A320. Canadian par-