

3. Aeronautics and Defence Industries
4. Environmental Industries
5. Consumer Goods
6. Construction Products

IV. Promoting Investment and Partnerships

V. Co-operation in Space, Science and Technology

CANADA-FRANCE ECONOMIC RELATIONS ACTION PLAN

1. France's Economy at the Dawn of the 21st Century

A. Major Economic Power

France is an economic giant. Its gross domestic product (GDP) of C\$20 billion (1998) makes it the fourth largest economy in the world and the second in the European Union (EU). The value of its industrial production ranks fourth in the world. It is the largest agricultural producer in the EU. France is also a key player in international trade. It is the world's third largest exporter of services, after the United States and the United Kingdom, the fourth largest importer and exporter of manufactured goods and the second largest exporter of agri-food products. France ranks third in the world as a recipient of foreign direct investment and fourth as an investor. It also ranks fourth in terms of public and private spending on research and development R&D).

France's leading trading partners are the other countries of the EU, with which it carries out nearly 64% of its trade. Trade between Canada and France accounts for less than 1% of France's foreign trade, and Canada is its 25th largest trade partner. France's economy is open to the rest of the world and all the world's major economic players have a presence in most niches of its economy. While the European countries rank first, the United States and Japan also play a prominent role.

Supported by the State's aggressive industrial policy, some economic sectors have received substantial investment in infrastructure research and development. The transportation sector is one example: France boasts cutting-edge rail and aerospace technologies. While they do not offer direct export opportunities, those sectors may provide Canadian companies with opportunities for strategic partnerships and alliances, technology transfers and even subcontracting. Here, Canada's access to North American Free Trade Agreement (NAFTA) markets is a definite asset. In other sectors, in which France has world-class companies, there are real opportunities for entering the French market, as demonstrated by the success of American and Canadian firms in the computer services sector.

There are numerous niches in which foreign suppliers (including many Canadians) are doing well: machinery and equipment, computer hardware and services, cultural products, medical devices, processed food products, security equipment and services, chemicals, electronic components and many others. However, Canadian companies have respected competitors in every sector and they must study the competition carefully before entering the fray. Key factors for successful penetration of the French market include price, quality, design, innovation,