

improvement in its financial results. Restructuring of defence industries therefore continued with equipment credits reduced in 1998 to CAN\$22 billion (down by 0.5%) and a resulting cut in R&D budgets.

The defence industry's export shipments represent approximately 60% of its production, or better than CAN\$12 billion. This outcome was made possible by support from the government, which has now introduced the principle of multi-year bulk orders, as desired by the major manufacturers; the government's defence efforts in 1998 now represent 2.09% of GDP. With the reform of these industries, costs have fallen by 30% and the emphasis is on purchases of already available equipment and technology. However, the new programs will require strict cost control, an annual productivity improvement effort of 2% and a one-time contractual commitment by the manufacturers. Major resources are earmarked in the space sector, with a new generation of military telecommunications satellites and radar observation satellites to be deployed on a cooperative basis, while the European Commission is demanding greater assistance for research and development in the era of dual technologies. The current situation of strong competition is leading to an export support policy and increased international cooperation, resulting in the European projects for observation satellites, missiles, counterbattery radar, light armoured vehicles and also the project for the future FLA (Future Large Aircraft) military transport aircraft.

## **A. Potential**

In 1998, total Canadian exports of aerospace equipment to France were CAN\$450 million and shipment prospects for future years are similar. Industrial and commercial agreements relating to sales of business and regional aircraft have major added-value benefits for the associated Canadian suppliers. So far, Air Littoral is operating 14 CRJs in the colours of Air Inter Europe, and Brit'Air is operating 17 CRJ-100s and anticipates taking delivery of 7 additional 70-passenger CRJ-700s by 2001. The Global Express program has also brought together equipment manufacturers Intertechnique, Sextant Avionique and Liebherr Aerospace Toulouse on a risk-sharing basis. These trends provide a good illustration that development of regional air links is compelling the airlines to expand their fleets. This demand has made it possible to identify new niches for the most competitive Canadian products. Furthermore, airline groupings are resulting in reviews of operating costs, thus enabling Canadian equipment suppliers to put forward more competitive offers. For example, several Canadian firms are already listed with Airbus for landing gear parts, A330/340 wing attachments (largest non-European supplier), engine gear parts and sensors. Also, development in Europe of airport "super-hubs" accommodating very large long range aircraft will make it possible to confirm the future project for an A3XX 600-passenger super jumbo, in which the Canadian aerospace industry is interested in participating. Other developments have emerged in simulation systems and the space telecommunications and remote sensing fields.

Last, the France-Canada Eryx anti-tank missile program is continuing its scheduled development as anticipated over a 12-year period, and is integrating Canadian technological expertise for the supply of infrared night sights for gunner stations, responsibility for which has just been reassumed by Thomson-CSF Systems Canada.

## **B. Constraints**

The ever-increasing cost of the major civil and military programs is leading French industry to embark on an active quest for new partners for joint projects. Since France produces and