

CHARACTERISTICS OF BILATERAL TRADE

1. Trends in Canada-France Trade

a) *General Context*

The first observation which must be made regarding economic relations between France and Canada is the low volume of trade. The two countries account for less than 1 per cent of each other's foreign trade. While France is Canada's eighth largest trading partner (1982), Canada ranks twenty-second among France's trading partners (1981). In 1980 and 1981, Canada did not have its customary deficits in trade with France: a surplus of \$226.6 million for Canada was registered in 1980 and another surplus of nearly \$125 million was recorded in 1981. In 1982, however, a deficit of \$167 million was registered (See Table 1).

A study of Tables II and III reveals that Canada-France trade involves a wide range of products. It should be noted that Canada exports primarily raw materials whereas France exports mainly consumer goods (wine, automobiles, printed material, and so on).

Why is it that France (which is the fourth largest trading nation in the world) and Canada, both of which have a tradition of international trade, have not managed to establish stronger trade links?

There are several reasons:

- Canadian and French business people are not very familiar with the existing opportunities in the other country's market.
- Members of the Canadian business community are accustomed to a market, such as that of the United States, which is relatively free of obstacles to trade and tend to be discouraged by the restrictive regulations in Europe.
- Current intercorporate trade between the two countries does not reflect their potential for reciprocal investment.
- Approaches to and methods of conducting business differ considerably in the two countries and, in order to bridge this gap, there must be more frequent contact.

b) *Exports*

From 1980 to 1981, Canadian exports to France decreased by 2.3 per cent. According to Statistics Canada, Canada's exports in 1982 declined a further 27.6 per cent to \$705.4 million (as compared to a decrease of 15.6 per cent in exports to the European Economic Community as a whole). The drop in our sales of uranium caused by the decline in the estimated demand for nuclear electricity and the consequent readjustment in stock-piling policies, combined with the rise of the dollar and devaluation of the franc, are the main causes for Canada's total export reduction and conse-

quently for the deficit of \$167 million. Other contributing factors are the decline in sales of forest products and dwindling sales of ores.

Sales of finished products to France totalled \$135.8 million in 1982 (19.4 per cent of our total exports to France), a performance slightly better than that recorded in our exports to the European Economic Community as a whole (15.9 per cent).

c) *Imports*

Products imported from France are composed of finished items (i.e. 57.5 per cent) as well as by consumer goods (more than half of which go to Québec, although its position as a point of entry may have a distorting effect).

Tables II and III show that imports, in categories of products valued in excess of \$10 million, accounted for 53.1 per cent of Canada's imports from France in 1981, whereas the total of Canada's export categories, valued at more than \$10 million, constituted 69.4 per cent of Canada's sales to France. This implies that France enjoys a more broadly-based market situation in Canada than Canada does in France.

The main increases in French exports to Canada in 1982 were in passenger automobiles and chassis (+ \$43.7 million), specialized machinery (+ \$36.4 million) and non-distilled beverages (+ \$17.4 million). The largest and most significant decreases were in plate, sheet and strip steel (-\$38.6 million) and in transportation equipment (-\$19.6 million) (refer to Table III).

d) *Investment*

At the end of 1978, France was the ninth ranked country for Canadian investment with a total of \$215 million, up \$28 million from the previous year. Among the main Canadian investors in France are: Alcan, Polysar, Massey-Ferguson, Inco, Seagrams, Hiram-Walker, Denison Mines, Bata, Campeau, Robert Morse, Cercast, Lavalin, SNC and Velan Engineering; and, more recently, McCain Foods Ltd.

French investment in Canada totalled \$656 million at the end of 1978, an increase of \$3 million over 1977. This accounted for 1.4 per cent of all foreign investment in Canada. On this basis, France is the sixth largest foreign investor in Canada, preceded by the United States, Britain, West Germany, the Netherlands and Switzerland. However, if the figures of Canadian subsidiaries of French-controlled⁽¹⁾ firms at the end of 1978 are taken into account, French investment in Canada totalled \$2,484 million, putting France in third place behind the United States and Britain. On this basis, French investment in Canada represents 3.5 per cent of total foreign control.

(1) The capital of the controlled firm includes that of the main shareholder plus that of other shareholders, including Canadians.