III. A Trade and Investment Strategy for Growth

Increasingly, Canadian firms from all regions of the country are making France a focal point for their European business strategy and investments. As the second-largest market in the EU and the fourth-largest economy in the world, France is an excellent base from which Canadian firms can tap the benefits and opportunities of Europe's expanding economic and political union.

Strengthening the commercial partnership: Canada and France have undertaken to enhance their co-operation and joint activities, particularly in the commercial sphere. The Declaration of Enhanced Partnership calls for a new bilateral action plan for co-operation into the next century. In this regard, the two Prime Ministers supported the objective of doubling the volume of trade between the two countries by the year 2000 and reaffirmed their belief that increased mutual investment and strategic partnerships will greatly benefit both economies.

Favourable trends: In recent years, Canada-France economic and commercial relations have enjoyed unprecedented growth in range and diversity, despite a period of recessionary trends in continental Europe. This growth in economic relations is expected to continue. France's external trade performance remains strong, and since 1992 France has enjoyed an annual trade surplus of roughly 1% of gross domestic product (GDP) in its current account balance. It is aggressively pursuing outward and inward foreign direct investment.

Opportunities for Canadian firms: France is becoming an easier, more open and more transparent market in which Canadian firms and investors can do business. This is largely a result of the effects of globalization and the move toward a single European market and eventual monetary union. The new environment is good news for financial investors and competitive firms seeking to penetrate the French market or to consolidate their presence by taking advantage of strategic sectors that are being liberalized and restructured.

France, for its part, has identified the following high-technology sectors as priorities for strategic partnerships and commercial development: telecommunications and information technologies, multimedia and cultural industries, defence systems and products, environmental products and services, biotechnology and biomedical products, geographic information systems and geomatics, electronics, and composites.

France actively supports its small and medium-sized enterprises (SMEs). For example, the government has recently revamped its financial institution responsible for SMEs to improve its effectiveness, partly through a system of loan-guarantee mechanisms and partly through co-financing arrangements in partnership with traditional banks. Like Canada, France increasingly recognizes the importance of SMEs as engines for growth and employment creation. The strategic alliance between the *Banque de développement des petites et moyennes entreprises* (BDPME) and its Canadian counterpart, the Business Development Bank of Canada, can offer support to SMEs, particularly those in target sectors,