

cal benefits, or as a source of government loans and contracts. By early 1981, the state already owned or held a controlling interest in more than 900 companies in the area of banking, insurance, chemicals, armaments, transportation and so on.

Although trade remains for the most part in the hands of the private sector, nationalization almost doubled the percentage of total sales of companies in which the French government has an interest. State control in the capital goods sector rose from 15 to 29.8 per cent; in the consumer goods sector, from less than 7 per cent to 30 per cent. According to the government, after the full implementation of the nationalization program, nationalized concerns will account for 17 per cent of the GNP, as compared to 12 per cent previously. However, given the increased influence and the very nature of the groups which are being nationalized, there will be few sectors in which the state will not be involved, in addition to exercising a quasi-monopoly over the national credit system.

The expansion of the public sector is an essential feature in the present government's basic strategy to revive the economy, reduce unemployment, combat inflation and promote new investment. The state appears to be taking control of assets which, because of their importance, will be used to serve the national interest.

4. Trade Policy and Characteristics

Prior to 1958, the French economic system revolved mainly around the domestic market and the franc zone (colonies). It was a protected economy which had rather fragmented units of production and little competition, and which resorted to outside financial assistance to cover deficits incurred through imports. In the early sixties, France resolutely embarked on a policy of more open relations with other countries and a geographical reorientation of trade. Today, it is the fourth largest trading nation in the world after the United States, West Germany and Japan.

France's trade policy appears to have had a remarkably stimulative effect on foreign trade since the share of the gross national product coming from exports rose between 1962 and 1980 from 10 to 17 per cent. In 1981, France was still the fourth world exporter with U.S. \$101 billion, behind the United States (\$233 billion), West Germany (\$192 billion) and Japan (\$150.5 billion). It was also fourth in the world with respect to imports with \$134 billion in 1981. The same three countries preceded it with \$241, \$185 and \$139 billion respectively.

In the past three years, France has recorded trade deficits of 62, 59.4 and 93.3 billion francs respectively for 1980, 1981 and 1982. Exports rose by 9 per cent in 1979, 3.5 per cent in 1980 and 15 per cent in 1981; imports increased 12 per cent in 1979, 6 per cent in 1980 and 15 per cent in 1981.

Almost half of France's foreign trade is conducted with its European Economic Community (EEC) part-

ners. In 1981, for example, 48.2 per cent of its total exports went to its EEC partners and, in return, 45.3 per cent of its total imports came from these same countries. The OPEC countries were the source of 13.9 per cent of France's imports and received 4.8 per cent of its exports. Of all these countries, West Germany was France's major trading partner, receiving 14.8 per cent of France's exports and providing 15.9 per cent of its imports.

5. Investment Policy

Although France is open to foreign investment, its policy since the end of World War II has been to subject all proposals for direct foreign investment to a review process and to reject any investment proposal which is not compatible with the national interest. Consequently, with only a few exceptions, authorization is required for any new direct investment or acquisition in France by a non-resident or by a foreign company already established in the country. An interministerial committee analyzes foreign investment proposals and makes recommendations.

France uses foreign investment to further its national economic development objectives. Foreign investment projects which bring new technology or knowledge, increase exports or create employment are therefore favoured. However, those which involve the acquisition of firms in strategic sectors such as telecommunications, nuclear power, armaments, oil or steel are discouraged. In addition, firms controlled by foreign interests cannot participate in the traditional nationalized sectors (radio, television, railways, gas and electricity).

Foreign investors can take advantage of the same local financing options as French companies, including regional development assistance provided by the Délégation à l'aménagement du territoire et à l'action régionale (DATAR) [delegation for land planning and regional action].