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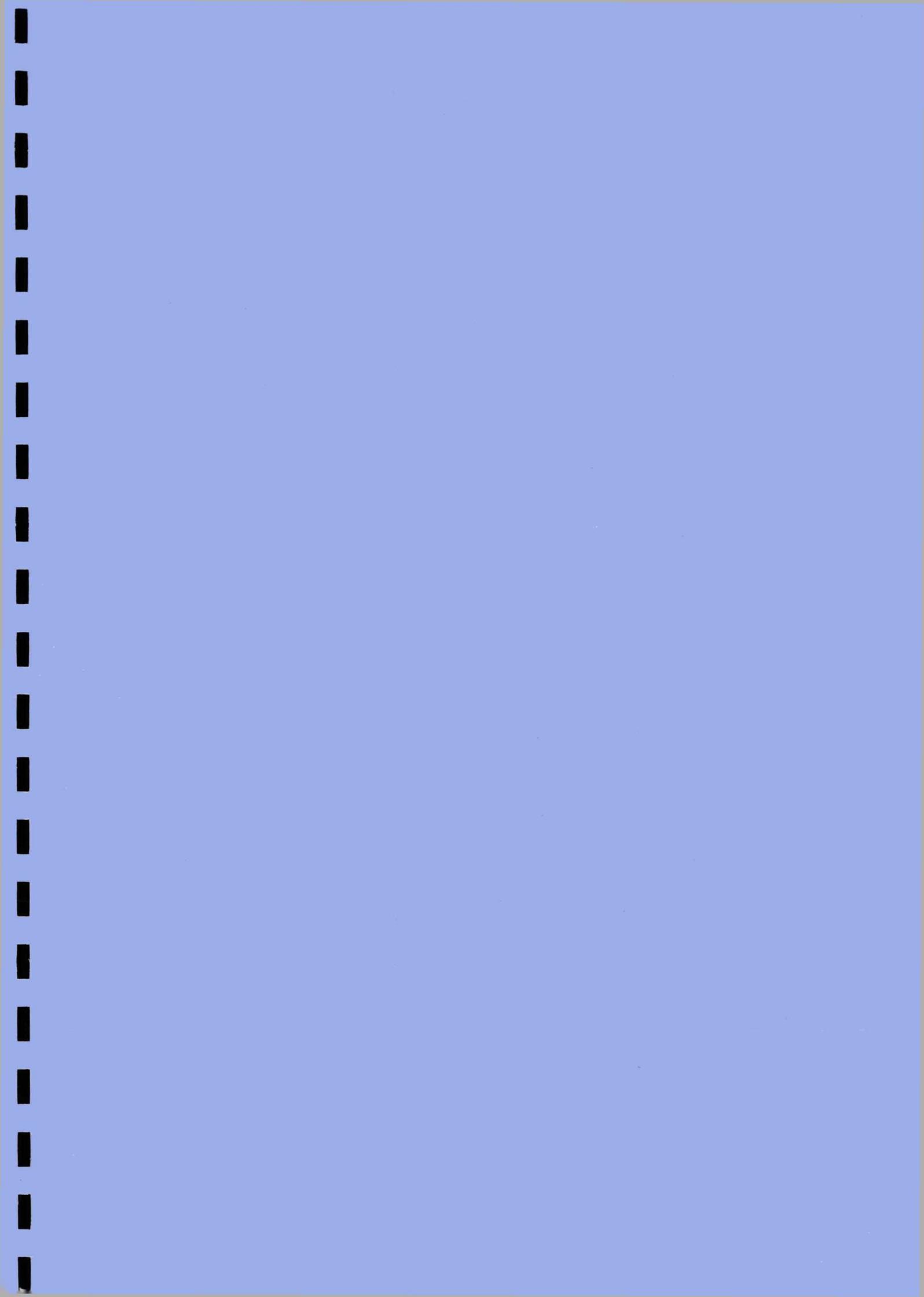
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**ANNUAL ECONOMIC
REVIEW**

FRANCE - CANADA

PARIS - FRANCE
JULY 1992



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contents

	Page
FRENCH ECONOMY	
Situation and Outlook.....	1
Economic Indicators.....	7
France and 1993.....	9
BILATERAL RELATIONS FRANCE-CANADA	
Canada-France Trade.....	15
Canadian Investment in France.....	21
French Investment in Canada.....	25
Economic Indicators "France-Canada".....	27
Technological Exchanges.....	29
SECTORAL OVERVIEWS	
Agri-food.....	31
Automobile Parts and Accessories.....	35
Biotechnology.....	39
Cable TV.....	41
Chemicals.....	45
Computers.....	47
Consumer Goods.....	51
Defence and Aerospace.....	55
Electric and Electronic.....	59
Environment.....	63
Fish Products.....	67
Forest Products.....	71
Mechanical Engineering Industries.....	75
Medical Equipment.....	77
Retail Distribution.....	79
Telecommunications.....	83
Tourism.....	87

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Reader's Note: Unless otherwise specified, dollar amounts are calculated in Canadian dollars based on an average rate of \$1 = 5.39 French francs in 1989, \$1 = 4.66 French francs in 1990 and \$1 = 4.94 French francs in 1991. (Source: Bank of France)

Cette revue est également publiée en français.

French Economy: Situation and Outlook

OVERALL A SATISFACTORY PERFORMANCE

Even though the French economy slowed down in 1991, **France's economic situation remains satisfactory and continues to compare favourably with its major trade partners.** France is one of the three countries in the European Community which already satisfies the criteria of convergence established in preparation for Monetary Union.

The rate of inflation has remained moderate at the 3% level for the seventh consecutive year. For the first time in 20 years, this was below the rate in Germany. As a result, French products are more competitively priced and together with the strong demand from Germany, export results have greatly improved. Thus, the trade balance, after a reduction of the deficit by half in 1991, became positive in 1992. The strategy of "competitive disinflation" to increase French competitiveness through inflation control and currency stability, which was implemented over the past several years by Prime Minister Bérégovoy when he was Minister of Finance, is evidently bearing fruit. The budget deficit, even though over 65% of its forecast of 132 billion FF (\$26 billion), remains small as a percentage of GNP (1.9%).

The major problems which France has been facing are the rise in unemployment, the weak point in the French economic picture, the halt of corporate investments, and the high rate of real interest rates.

Overall, and unlike many of its trade partner countries, France does not seem to suffer from major imbalances which might hinder a return to growth. **For 1992, there is a consensus that the recovery will be gradual, but modest, around 2%;** it will be based on export and private consumption, but will be slowed by the low level of investment. Data gathered at the beginning of 1992 point to continued strong French exports, which benefit both from gains based on price competitiveness and the expected recovery of Anglo-Saxon economies. However, internal signs of recovery remain too limited to allow for strong growth this year. While on the consumer side, there is the possibility of a decrease in the savings rate which could support consumption before an improvement in employment, nevertheless, on the corporate side, investment incentives are insufficient to allow for a recovery in investments.

In summary, the growth rate will be too weak to stop unemployment from increasing above its current rate of 10% of the labour force. It is this rise in unemployment which explains the gloomy and pessimistic view of the French toward their economic situation.

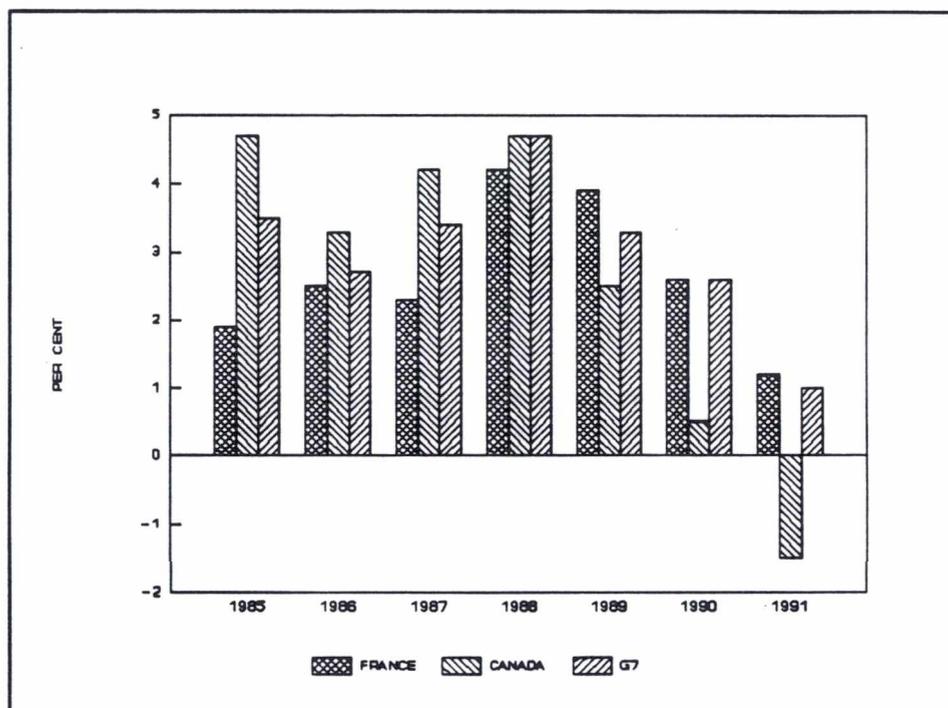
In an attempt to encourage a recovery, the French government has relaxed temporarily its tight economic policy which it has been following since 1983. This policy which is focused both on competitive disinflation and reduction of the budget deficit, is part of a medium term strategy to maintain conditions for healthy and continued growth and to strengthen France's competitiveness in the European single market. In the face of the slowdown, the government has reconciled the need to encourage growth with its

desire not to modify this long term policy, while it is bringing about its impact on stronger competitiveness; to achieve this, it is relaxing temporarily the budget restrictions and retaining the competitive disinflation strategy. The 1991 and 1992 budget deficits were increased by the loss of tax revenue due to the slowdown, and priority was given to defending the franc, which reduced the ability to decrease interest rates; these remained around 9.75-10% for the first half of the year.

THE FRENCH ECONOMY IN 1991

Growth in France's total Gross National Product (GNP) fell to 1.2% in 1991. The magnitude of this deceleration came as a surprise and the recovery expected for the end of the year did not materialize. Nevertheless, the impact of this economic slowdown was less acute in France than in most of its major trading partners and was comparable to G7 averages.

*FRANCE, CANADA AND COUNTRIES OF G7**
Growth in Volume of GNP and %



*USA, Japan, Germany, France, Italy, UK and Canada

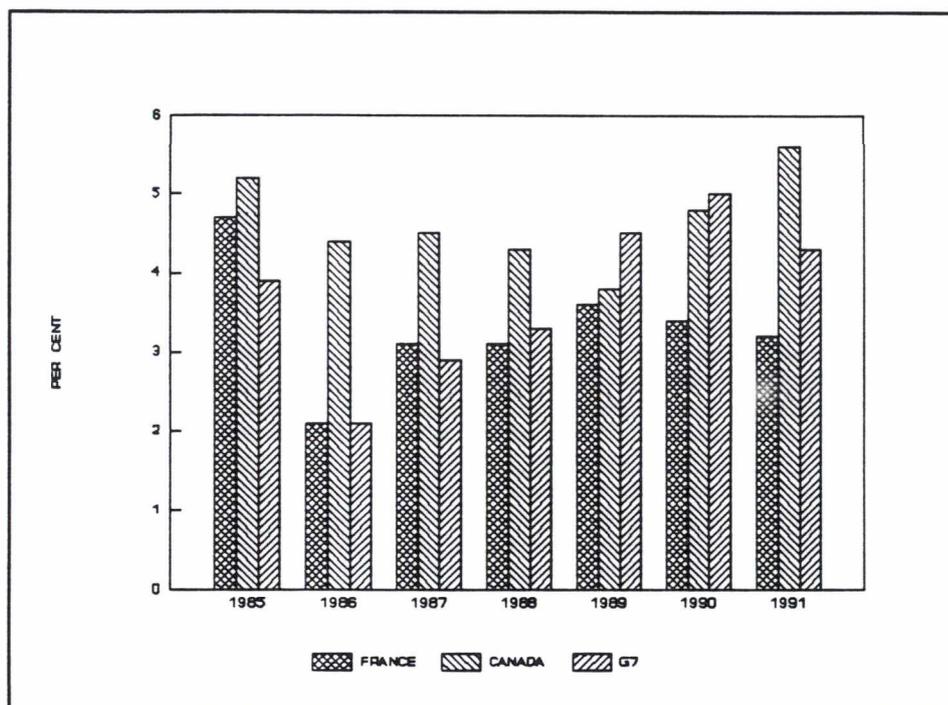
The slowdown is due to a decrease in domestic demand. Corporate management faced with weak prospects and continued high interest rates have dramatically reduced their investments (-3.6%), particularly in industry (-9%). In addition, households have adjusted to their diminished disposable income and have reduced by half their rate of consumption (1.6%). Only net foreign demand provided some support to growth, through a moderation of imports and a continued high level of exports, based again on German demand.

The slowdown has spread to all sectors. In industry, what started as a slowdown in mid-1990, became a recession. The most strongly affected sectors were Automobile production (-3.4%), Industrial equipment (-2.6%), and Intermediate goods (-1.5%). The

of the service industry continued to grow at a relatively high rate (4.3%), whereas the Agri-food sector was affected by the slowdown (1%).

France kept its major advantage, a moderate inflation rate, close to 3% for the sixth consecutive year. Prices in France have remained reasonable due to the slower rate of salary increase and the decrease in price for energy and industrial raw materials. Since the month of June and for the first time since 1973, the rate of price increases in France has been continuously lower, by over one percentage point, than in Germany. Consequently, France's performance in terms of inflation is the best among the G7 nations.

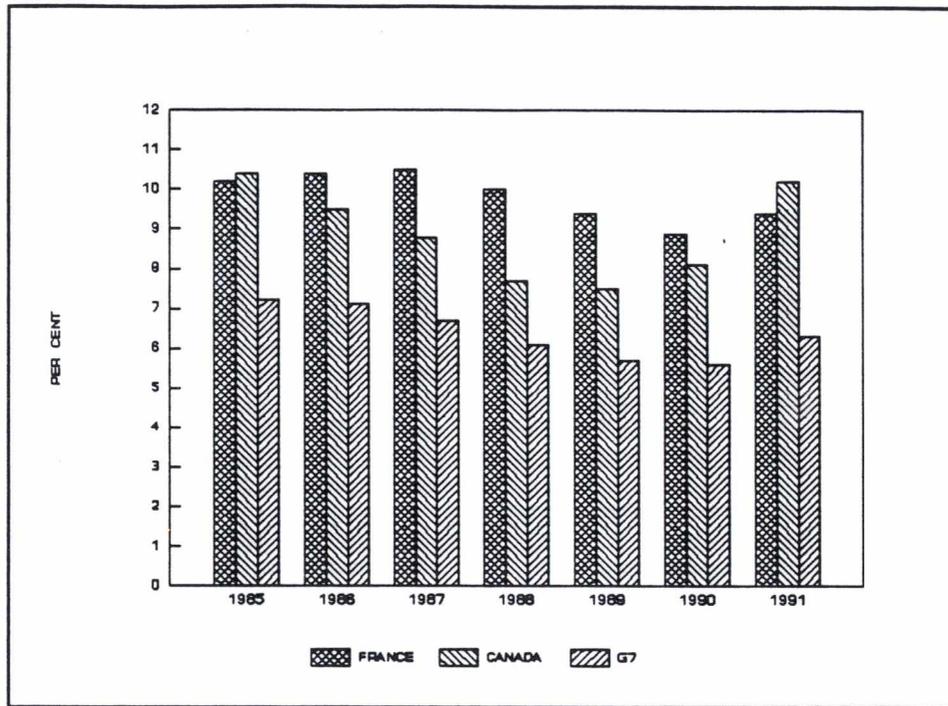
*FRANCE, CANADA AND G7 COUNTRIES
Consumer Prices in %*



The significant slowdown in employment, which started in the middle of 1990, became even more pronounced, thus contributing to an important rise in unemployment. Only 37,000 jobs were created, compared with an average of 213,000 in the three previous years. The service industry remained the only sector to create jobs, more than compensating for the net losses in industry. After three years of decrease, the number of unemployed workers rose by 235,000 to a total of 2.4 million at the end of December, 9.8% of the active population. As indicated in the following chart, France's unemployment rate remains higher than the average unemployment rate among its principal trading partners and one of the highest among the G7 nations.

Due to the deteriorating job market, the fight against unemployment remains the Government's top priority. The policy of employment assistance has intensified, with a focus on creating new jobs through tax incentives, improving training for the unemployed and rehabilitation of the most underprivileged, especially young people without training and those unemployed for over one year. In addition, the French government is attempting to create closer ties between education and the business world by improving the existing system of apprenticeship.

FRANCE, CANADA AND G7 COUNTRIES
% Unemployment of Labour Force



The good news for 1991 was the decrease by almost half of the deficit in both the commercial trade balance and the current account balance to 30 billion FF each (\$6 billion). The improved trade balance position results from the improvement of the deficit in civilian industry, and from trade within the EEC which became slightly positive owing to the lower trade deficit between France and Germany. These positive results are due both to a slowdown in imports, due to a weak domestic demand, and the solid standing of exports, supported by their improved price competitiveness and the strong German demand, particularly in the Automobile industry.

The top priority of maintaining the stability of the franc within the European Monetary System has forced monetary authorities at the end of the year to reverse the downward trend of interest rates which began at the beginning of 1990. The Bank of France, confident of its control of inflation and of market credibility due to the strong franc policy, has succeeded in reconciling the demands for the stability of the franc with lower interest rates. Thus, the interest rate was lowered to 8.75%. However, in the winter of 1991, increased pressure on the value of the franc, associated with the continuation of Germany's restrictive monetary policy, forced the Bank of France to increase its rate to 10.5%, thus returning to the early 1990 level.

In order not to penalize activity, the government adopted some flexibility in its budget policy, allowing the budget deficit to expand by the loss in tax revenue resulting from the slowdown. Thus, the deficit increased from an initial objective of 90 billion FF to 132 billion FF. However, this increase is not alarming as, on one hand, expenses have been controlled (+4% growth), additional expenses having been compensated by budget savings, and on the other hand, the deficit remains low in terms of GNP at 1.9%.

OUTLOOK FOR 1992

There is a consensus that the slightly stronger activity at the beginning of 1992 should gradually lead to a **moderate recovery for the whole of 1992**. Government forecasts as well as those of the Institute of Official Studies on the Economy (INSEE) and the majority of private economic commentators anticipate that growth will reach 2%, based on increased exports and household consumption, but will still remain restrained by low business investment.

France would benefit from an improved world economy. Despite the weakening of demand in Germany, French exports should increase due to both the recovery in its major trading partners and the continued price competitiveness of French products. It must be emphasized that this recovery scenario is crucially dependent on an improved international situation. Whereas the outlook in the Anglo-Saxon countries seems to be more positive, Germany's future remains uncertain. If that country's slowdown turns out to be more severe than anticipated or if its monetary policy were to be tightened, France's recovery would be both delayed and weaker.

Internal trends for a recovery seem limited. Private consumption should be increasing slightly due to favourable changes in both the purchasing power and savings rate, thus becoming the major driving force of the recovery. As for corporate investment, considering falling profit margins, over-production and the high cost and difficulty of obtaining credit, businesses are waiting for confirmation of a lasting recovery to invest. Overall, on a yearly average, production investment should at best stabilize, not yet contributing to sustaining growth.

Growth will be insufficient to avoid a continued increase in unemployment over 10% of the active population, the level reached at the beginning of the year, thus again justifying an active employment policy. With the recovery expected to be gradual and weak, and the delayed reaction in the job market, employment will progress only marginally. Since government measures to stimulate employment will only be fully felt in the second half of the year, unemployment will continue to increase at least during that period.

The government continues to enforce a more flexible budget policy and a monetary policy of competitive disinflation. Again this year, the budget deficit forecast at 135 billion FF will include tax losses which have already appeared since the beginning of the year. Spending remains controlled, as additional expenditures are financed through a reduction in other expenses and income from partial privatizations. Monetary policy remains focused on a moderate rate of inflation and keeping the franc stable while making an effort to reduce interest rates.

The most positive economic signs are that inflation is expected to remain at moderate levels, and that the balance of trade will continue to improve. Thus, France remains one of the least inflationary industrialized countries, even compared with Germany. In this context, with continued improvement of price competitiveness, together with a stronger foreign demand, exports of French products should improve whereas the small strengthening in domestic demand will not be sufficient to contribute, through increased imports, to an increase in the trade deficit. On the contrary, continued improvement of the positive trade balance will allow for further reduction in the deficit for the year.

A summary of key economic indicators are listed in the table below. These represent a consensus based on the average forecasts of France's major private economic research institutes and banks.

CHANGES IN MAGNITUDE AND IN %

Major Macro-Economic Variables	1991	Estimates	
		1992	1993
Gross Domestic Product	1.2	1.9	2.3
Consumer Purchases	1.5	2.1	2.4
Business Investment	-3.5	0.5	3.6
Consumer Prices	3.2	3.1	3.1
Unemployment	9.4	9.9	9.9
Current Account Balance (Billion Francs)	-32,0	-24,5	-29,6

Sources: Average of Banks'outlooks (BNP, BFCE, Banque Indosuez, Banque Populaire, Caisse des dépôts, Crédit Lyonnais, Crédit National, Société Général) and French Economic Institutes (BIPE, COE, OFCE, Rexecode).

France: Key Economic Indicators

	1990	1991	1992*
POPULATION¹			
- Millions (1st of january)	58,4	58,7	58,9
- Population density (ha/km)	106	106	106
GROSS NATIONAL PRODUCT¹			
- Billions of FF	6 484	6 764	7 106
- Growth (%)	2.6	1.2	2.0
- Rank	4th	4th	4th
- GNP per capita (thousands of F)	111	115.2	120.6
PRICES AND CURRENCY² (billions of F)			
- Average inflation rate (%)	3.3	3.2	2.8
- Masse monétaire M3 (%)	6.2	4.2	4 à 6
INTEREST RATES² (%)			
- Bank Rate	10.25	10.35	-
- Average monthly rates	10.30	9.60	-
- 10 years Gvt bond rates	9.93	8.79	-
EMPLOYMENT¹ (millions)			
- Employment creation	153	37	-
- Unemployment (%)	8.9	9.4	9.9
NATIONAL BUDGET & PUBLIC DEBT¹			
- Budget Deficit (billions of F)	93	132	135
- Budget Deficit (% of GNP)	1.4	1.9	1.9
- Public Debt (billions of F)	2 918	3 192	-
- Public Debt (% of GNP)	45	47.2	-
INTERNATIONAL TRADE³ (billions of F)			
- Exports (FAB)	1 176	1 251	-
- Imports (FAB)	1 226	1 221	-
- Trade balance	-50	-30	-16
- Current balance	-53	-30	-30
INVESTMENTS² (billions of F)			
- French investments abroad	148	109	-
- Foreign investments in France	50	61	-
STOCK EXCHANGE⁴ (billions of F)			
- Capitalization	4 332	4 845	-
- Stock index (base 100=31.12.81)	413	476.7	-
RATE OF EXCHANGE² (F)			
- Canadian dollar	4,66	4,94	-
- US dollar	5,44	5,64	-
- Deutsche Mark	3,36	3,40	-

Sources: 1. INSEE; 2. Bank of France; 3. French Customs; 4. Stock Exchange

* Government Forecasts



France and 1993

THE SINGLE MARKET OF 1993

On the eve of 1993, France continues to prepare actively for the single market, and to be deeply involved in the very construction of Europe. France is considered, together with Germany, to be playing the leading role in the building of Europe, and one of the key participants in the major strides toward the establishment of the European Community. Co-founder of the EEC in 1957, followed by the six-country tariff union in 1968, France was also a signatory of **the Single European Act** in 1986.

The Single European Act provides for the creation of a single market, that is "a region without internal borders within which the free flow of goods, people and capital is guaranteed". This market of 320 million people is scheduled to go into operation on January 1, 1993.

European construction will go beyond the single market, toward a stage called **European Union**, as defined in the treaty of Maastricht, which will give the European community a federalist type union with both a common foreign and defense policy, and an Economic and Monetary Union based on a single currency. Also, there is the desire to create a European citizenship and to strengthen the Community's scope of action, from research to environment, from large transportation and telecommunications networks to consumer protection, from industry to health, to culture, education and justice, and including also welfare programs.

The Economic and Monetary Union (EMU), a natural extension of the single market, will be achieved at the earliest in 1997, but no later than 1999, and will involve a common currency and a common monetary policy established by the European Central Bank. The member countries of such an institution will be required to make efforts to converge, in terms of economic performance and policy, on the basis of five economic criteria leading to the creation of a single currency. These criteria are price stability; acceptable levels of budget deficits, public debt, and interest rates; and respect of margins of fluctuation within the European Monetary System.

The process leading to this Monetary Union is to be irreversible and will be carried out in three stages, each requiring a continuously narrower convergence of the members' economic policy and progress in the monetary area. Thus, the first stage which started in July 1990, involved capital liberalization. This will be followed in 1994 by the second stage which is the establishment of the European Monetary Institute and a strengthening of the Ecu. The final stage, that of a single currency directed by the European Central Bank, will be implemented in 1997 provided at least seven of the twelve member countries meet the required criteria of convergence. Otherwise, automatic EMU will take place on January 1, 1999.

Ratification of the treaty of Maastricht by all member countries is a necessary preliminary condition for enforcement of the treaty on the set date of January 1, 1993. In the climate of uncertainty ensuing from questions about this process, President Mitterrand decided that in France, the ratification would be approved by referendum.

FRANCE: SECOND ECONOMIC POWER IN THE EUROPE OF 12

On the threshold of 1993, it appears that in between Europe's economic largest power, Germany, and the rising strength of Italy and Spain, France should be able to take advantage of the opening of the borders to confirm its position as the second economic power in Europe.

France is the largest EEC country in surface area (24% of the Community's land area). It is the second strongest economy in the community, producing 20% of the wealth, and 16% of total exports, after Germany which produces 25% of community wealth and 30% of its exports. In population France is fourth after Germany, Italy and Great Britain.

France is **the most important agricultural producer and exporter in the EEC**. It is the community leader in cereal production, meat, milk, sugar, and wood. In the processed food sector, where the key challenge includes harmonization of standards, the need to adjust to the Europe of 1993 will be greater than in the agricultural products sector.

In addition, France should benefit from **the new Common Agricultural Policy** due to take effect in 1993. This new CAP will replace the old system of guaranteed prices (which generated artificially high prices and overproduction) with a new system of direct aid to farmers. France should benefit from this change, as it will be encouraged to substitute imported replacement products (made more expensive) with national production, and to regain outside market share (as a result of lower export prices).

France is **the second most important industrial power in the EEC**, although it lags well behind Germany. It ranks as the leader among countries producing industrial equipment, followed by Italy which is gradually achieving a leading role in the production of consumer goods. Between 1973 and 1986, industrial production in France grew more slowly (1.3%) than the EEC average (2%). This trend has now been reversed, and France is no longer losing market share to its European partners.

FRENCH PREPARATIONS FOR THE SINGLE MARKET OF 1993

The dynamic economic environment which France has experienced over the last three years with respect to improvement of its macroeconomic situation and the restructuring of its industrial infrastructure, indicates that France will likely overcome its delay in preparing for the Europe of 1993.

The tight economic policy applied to the budget, currency and salaries, which has been enforced for the past few years is bearing fruit in its objective of strengthening France's competitiveness in Europe. In the years 1988-1991, the French economy grew more than the average of its major partners, while enjoying a moderate rate of inflation and a relatively stable franc. As a result, France together with Denmark and Luxembourg is one of the three EEC countries that meets the criteria of convergence established for the purpose of Monetary Union.

The competitiveness of French industrial groups has also improved in comparison with the rest of Europe. French corporations are now stronger financially and have increased presence in Europe as a result of steady efforts to restructure and modernize

through renewed investment, improved product lines, and international expansion. Within the EEC, France consolidated its position as the largest investor in Europe in 1991 and became the largest foreign investor, before the United States.

Generally, the spirit of Europe is progressing in French industry. This was observed in a November 1991 survey carried out by France's major polling institute (IFOP) of heads of small and medium businesses (less than 500 employees). Compared with the 1990 results of the same survey, French businessmen seem to be both better informed and much more interested in the 1993 deadline.

The competitive outlook for France's economic sectors in the Europe of 1993 appears mixed. For example:

- in the **rail transportation equipment sector**, Alsthom has emerged as top in the world, and the community policy to develop a trans-European TGV rail network will reinforce France's position in this sector;
- in **aerospace**, France's participation in the European Airbus, ATR and Arianespace programmes, and actions to increase productivity, will permit France to enter 1993 in a healthy position;
- in **steel**, where the integrated market of 1993 should increase competition among the large European conglomerates in the area of high quality steels, France appears well situated. France has the largest European conglomerate, Usinor-Sacilor, responsible for virtually all national steel production and already very international in outlook;
- French companies involved in **public works** are optimistic. The opening of the public sector markets of the "Twelve" provides good prospects for this sector which is the European leader;
- in the **banking sector**, where prevailing over increased competition will determine success in 1993, the leaders of the large French banks are generally optimistic. They have the good fortune to be situated in almost all CEE countries and possess well-developed networks. With regard to smaller banks, those that are well-established in the national market stand the best chance to survive;
- **other sectors expected to benefit** include champagne and sparkling wines which profit from their prestigious image, electrical equipment, glass where France has specialized, the beverage industry (water, lemonade, beer), rubber products which benefit from advanced technology, and telecommunications;
- French **automobile manufacturers** are mainly preoccupied with the adoption of new anti-pollution requirements (e.g. catalytic converters) and the competition from Japan. According to an agreement signed in July 1991 between the EEC and Japan, the European community's automobile market will be fully open to the Japanese from January 1, 1999. Between January 1, 1993 and that date, there will be a transitional period during which direct exports from Japan will be limited annually to their 1991 level (i.e. 1.3 million per year), thus representing 8% of the European market at the beginning of 1999. Including Japanese "transplants", i.e. Japanese cars assembled in Europe, which are unilaterally

considered by the EEC (there is no indication in the agreement), the Japanese share of the European market reaches 16%.

- in **home-electronics**, France is handicapped by the relatively small size of its companies and product lines in comparison with European competitors. France must also make up for its slow progress in adapting to uniform European standards. In the area of high definition television, however, France could play an important role through the Thomson group;

- the outlook for the **pharmaceutical industry** is less positive. Even though this industry is relatively strong in France and includes several large companies (Rhône-Poulenc, Sanofi), it is hampered by its small size, the low international presence of its laboratories, an inadequate level of research and development (in particular, in comparison with Germany), and by its profits;

- the **sectors most threatened** by establishment of the integrated market are consumer goods (shoes, chocolate and confections) and equipment in which France has little specialized expertise (medical-surgical equipment, mechanical equipment). For mechanical industries, where the battle of 1993 will be that of standards (particularly, security regulations), France appears less well prepared than Germany and will, therefore, need to adapt to German standards and industrial practices.

FRENCH ADVANTAGES AND DISADVANTAGES

France's major advantages, within the context of a more competitive European market, are as follows:

- **geographic location**: France is at the centre of Europe of the Twelve. It is at the crossroads between the United Kingdom, the Iberian Peninsula, Italy and Germany;

- **a strengthened industrial fabric**: Although France undertook industrial restructuring later than its principal trading partners, French companies have nonetheless succeeded in this area: they are now sounder financially and better established in the world;

- **moderate labour costs**: currently lower than those of Germany, Belgium and the Netherlands. The high level of mandatory French social security contributions (32% of total salary costs) is offset by lower direct salaries;

- **relative good labour relations** which have improved since the beginning of the eighties. The number of work days lost as a result of strikes is now one of the lowest of all EEC countries;

- **internationally recognized technical skills**: Airbus, high speed train (TGV), medical research, etc.

France, however, also has some disadvantages which it is gradually correcting. These include:

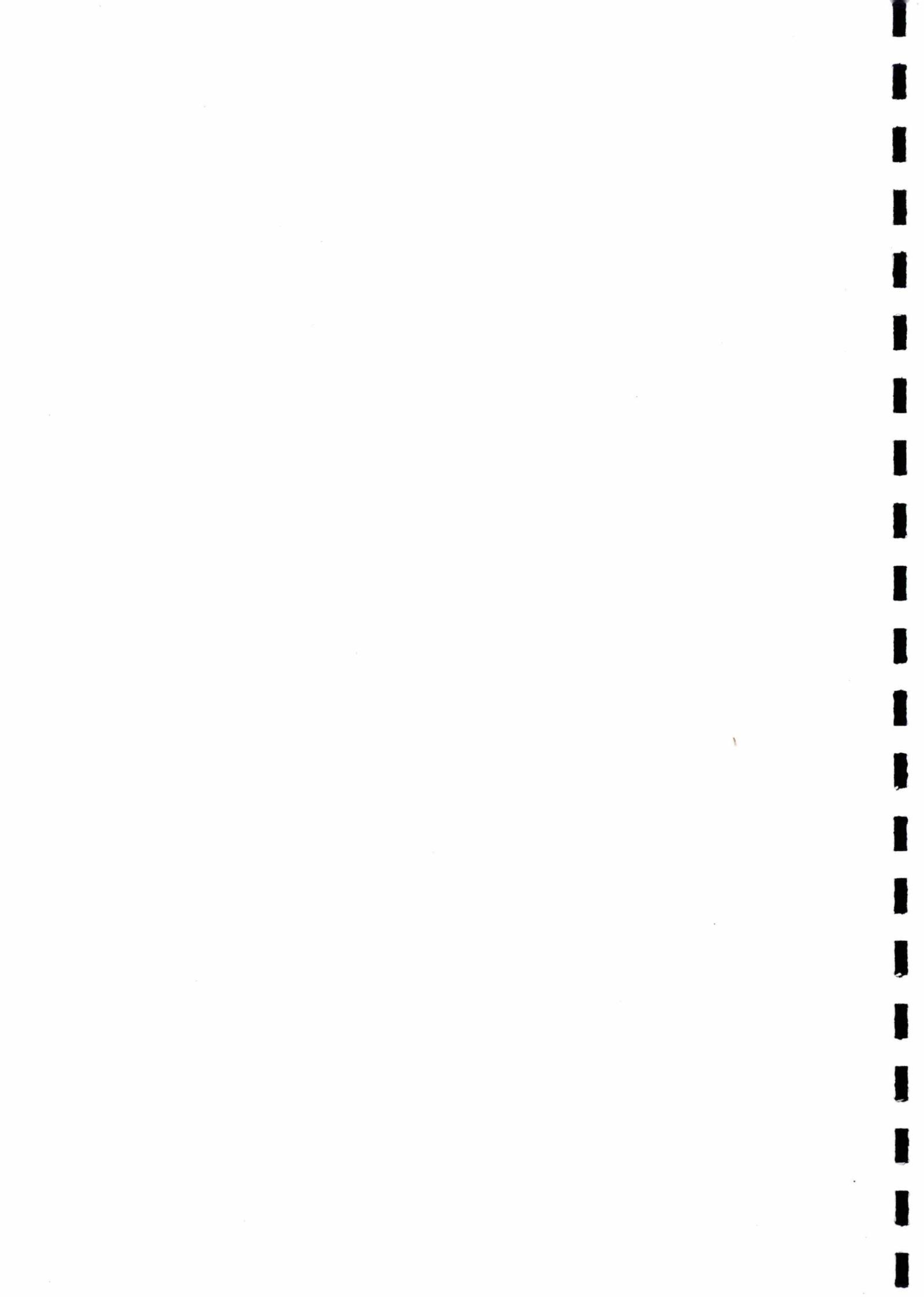
- **a manufacturing infrastructure less efficient** than Germany's. The gap is gradually closing, particularly due to a considerable investment effort by French businesses since 1985. However, this effort was temporarily stalled in 1991 as a result of the business slowdown and has not yet overcome the impact of past delays.
- **a lack of specialization in the French economy.** France's strong points in its industry are too few, weak and badly distributed. France is the European leader in only the aeronautical industry, luxury goods, the nuclear industry, and certain agri-food sectors.
- **a lack of capital and the smaller average size of businesses** compared to Germany or the United Kingdom make new investments difficult and reduce economies of scale;
- **a tax system** in the process of being modified toward harmonization with that of other European nations. The increased VAT rate (value-added tax) was abolished in April 1992 and income tax on retained and distributed profits was equalized at 34%.

OUTLOOK FOR FRANCE

Since France began to restructure its industry later than other European countries, it must continue to transform its national economy into one with international scope, and to bring about industrial renewal and change if it is to remain the second strongest economic power in the EEC.

In addition, business leaders must continue to consolidate their activities in order to achieve sufficient presence in Europe. Market share and corporate investment policies are key factors of success in the high value-added sectors, while the control of labour costs will make the difference in the low value-added sectors.

The economic policy of the new government is aimed in this direction to make France succeed in the Europe of 1993. The renewal of the French economy, controlling the rate of inflation, and moderate salary costs are all factors which are benefiting the country's economy. In order to improve these results, the French government must constantly balance the tight monetary and budget policies to reinforce the competitiveness of French companies with the pursuit of a healthy social climate which is an equally vital condition for economic success.



Canada-France Trade

Trade between Canada and France has more than doubled in the past ten years, reaching over 22 billion FF (\$4,5 billion) in 1991. The trade balance between the countries has consistently been negative for Canada since 1984.

Though 1991 was particularly favourable for Canadian exports to France (+ 13%), the trade deficit deteriorated from 2,4 billion FF to 2,9 billion FF (\$605 million). However, this deterioration is not significant as it is solely due to a twofold increase of Canadian purchases of Airbus airplanes, which offset both a decrease in other imported goods and the growth in exports. Thus, excluding aircraft trade, the 1991 trade deficit showed strong progress, bringing it to a balanced position (-12 million FF or \$2,5 million).

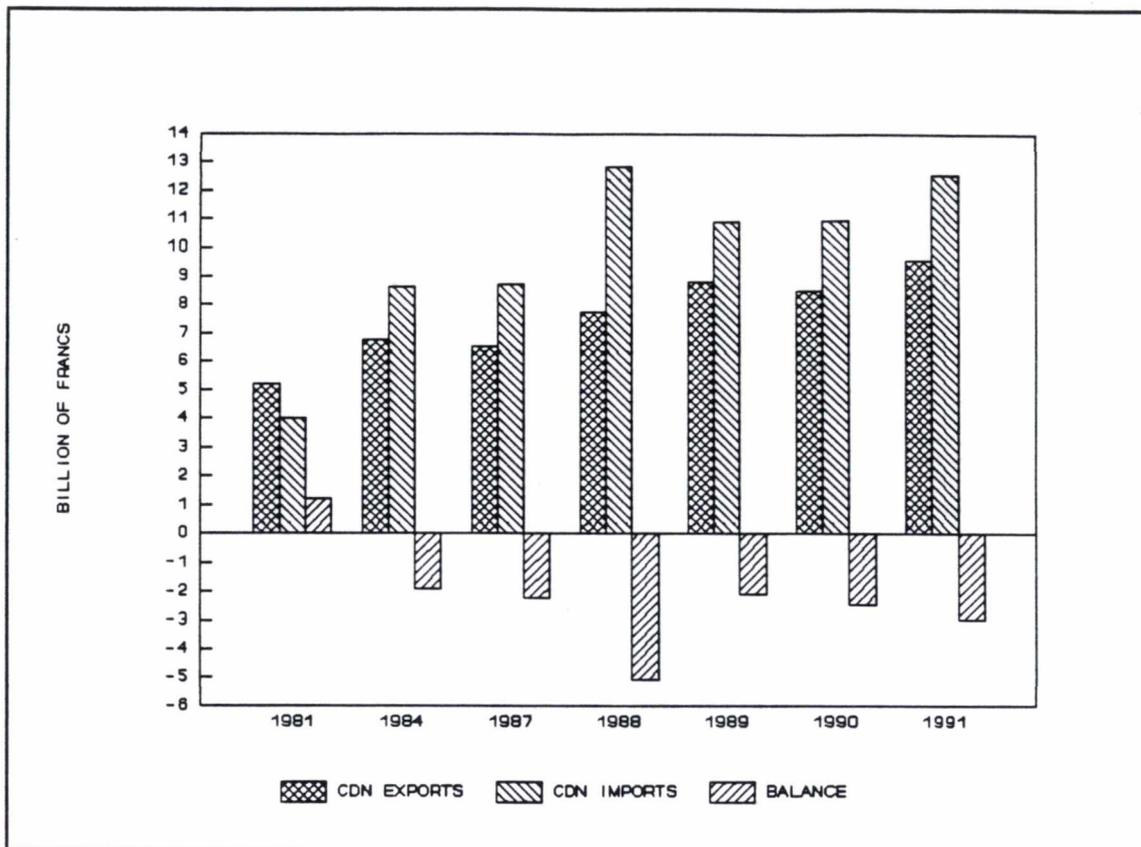
The changes by industry during the year reflect the major trends observed during the eighties: among industrial products which represent the majority of the trade between France and Canada (85%), industrial manufactured products were even stronger (58% of trade) at the expense of Semi-finished products.

Bilateral trade between France and Canada nevertheless remains small considering the magnitude and the openness of the two economies. Among Canada's trade customers, France has for the second consecutive year dropped by one position, ranking eighth with less than 1% of Canadian exports. However, France maintains its 5th position as supplier, with close to 2% of total Canadian imports. Canada's ranking in French bilateral trade is even more modest, though improved compared with 1990: ranking fourteenth among France's trade partners, Canada is France's 23rd supplier (0.7% of French imports) and its 11th most important customer (1.05% of exports).

A DECADE OF TRADE (1981 - 1991)

According to statistics from French Customs, trade between Canada and France progressed from 9 billion FF (\$2 billion) in 1981 to over 22 billion FF (\$4,5 billion) in 1991. As indicated in the table and chart on the next page, Canada has experienced a trade deficit with France each year since 1984.

Table I
TRADE BETWEEN CANADA AND FRANCE
FROM 1981 TO 1991



	Exchange Rate	Canadian Exports	Canadian Imports	Trade Balance
	\$1 = FF	(Millions of Francs)		
1981	4.53	5 224	4 018	1 205
1984	6.75	6 760	8 657	-1 897
1987	4.58	6 539	8 741	-2 202
1988	4.85	7 737	12 808	-4 342
1989	5.39	8 836	10 908	-2 071
1990	4.66	8 499	10 952	-2 453
1991	4.94	9 570	12 561	-2 991

*Owing to shifts in the exchange rate between the French franc and Canadian dollar, the above analysis is shown in French francs. As the above statistics were supplied by a French source (French Customs), it is necessary to dissociate shifts owing to economic factors from those related to changes in the value of the two currencies.

TRENDS AND STRUCTURE OF EXPORTS

The year 1991 was particularly favourable for Canadian exports to France as these progressed by 13%. As indicated in Table II, this increase involved Agricultural and Agri-food products (+22%), Energy products (+49%), as well as Manufactured goods (+26%), whereas Semi-finished goods were very slightly down (-2%).

These trends by industry reinforce those observed in recent years in terms of strengthening of Manufactured goods: their share of total sales has almost doubled in the past six years, from 22% in 1985 to 40% in 1991, and are tending to overtake Semi-finished products, which still predominate with 42% of sales.

While exports of Semi-finished products remain concentrated in a few areas (pulp, paper and paperboard, non ferrous metals, ores), the increase in sales of Manufactured goods is primarily due to higher sales of Industrial Equipment (essentially aircraft assembly products and professional electronic equipment), and somewhat less to typical Consumer goods (wood products).

The shares of Agri-food exports (essentially fish and meat products), and Energy products (refined petroleum), have stopped decreasing in the past two years, even strengthening slightly, to 12% and 6% of the total respectively.

Overall, Canadian exports to France appear to be very much concentrated in a small number of products. As indicated in Chart I, approximately half of these exports correspond to the following six products:

- Paper pulps remain despite their decrease the top export product (11% of sales);
- Aircraft assembly products (primarily aircraft motors) and professional electronic equipment reinforce their respective ranking of the second (10%) and third (8%) export products;
- . Non ferrous metals move up to fourth place (7%), up one position from 1989;
- . Paper and paper board move up two positions to fifth place (7%). The full range of paper products (pulp and paper) represent 18% of exports;
- . Wood products retain their sixth position (4%) despite a decrease.

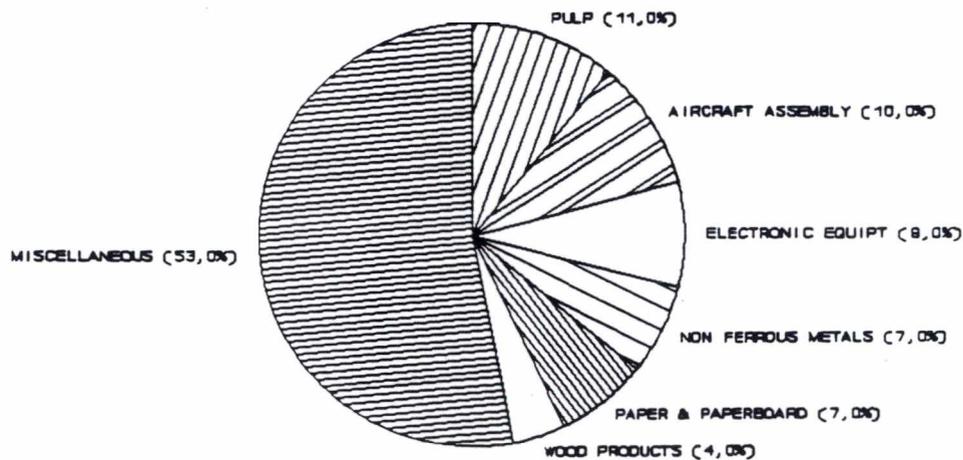
In addition, the good performance of private automobiles is to be noted as they progress from tenth to seventh position.

Table II
CANADIAN EXPORTS TO FRANCE
FROM 1989 TO 1991
in Millions of Francs

	1989		1990			1991		
	Share		Var	Share		Var	Share	
	(%)		(%)	(%)		(%)	(%)	
AGRI-FOOD PRODUCTS	927	10	984	2	11	1156	22	12
Agriculture, forestry, fishing	446	5	406	-9	5	534	32	6
Processed foods industry	481	5	542	13	6	622	15	6
ENERGY PRODUCTS	228	3	317	39	4	471	49	5
SEMI-FINISHED PRODUCTS	4832	55	4076	-16	48	3986	-2	42
Minerals raw materials	1164	13	1032	-11	12	780	-24	8
Metals	1227	14	960	-22	11	1017	6	11
Non ferrous semi-finished	2441	28	2084	-15	25	2189	5	23
MANUFACTURED GOODS	2616	30	3016	15	35	3787	26	40
Industrial equipment	1699	19	1831	8	22	2397	31	25
Household equipment	13	0	14	8	0	15	7	0
Automobiles	106	1	223	110	3	382	71	4
Automobiles parts	37	0	24	-35	0	110	358	1
Consumer goods	761	9	924	21	11	883	-4	9
MISCELLANEOUS	233	3	139	-40	2	170	22	2
TOTAL	8836	100	8496	-4	100	9570	13	100

Source: Douanes françaises (NEC)

Chart I
SIX PRINCIPAL CANADIAN EXPORTS - 1991



TRENDS AND STRUCTURE OF IMPORTS

Canadian imports of French products increased by 15% in 1991, a surprising result considering the current recession in Canada. In fact, this progress is not part of a general increase in imports.

It is due solely to a 100% increase of imports in the Aircraft Industry totalling 4 billion FF and involving Airbus and ATR models. These aircraft purchases, due to their magnitude and wide range, can bring about a considerable variation in the France-Canada trade balance.¹

Total imports excluding aircraft have diminished by 7%. With the exception of Semi-finished products which stabilized, all other imports decreased: Farm products (-1%), Agri-food (-2%), Energy (-76%), and Manufactured goods (-9%).

Thus, Canadian imports from France have decreased in Agri-food products (mainly composed of wine and other beverages) and Energy products in favour of Industrial products, which constitute the great majority with 88% of purchases. Among imports of Industrial products, the prevalence of Manufactured goods is continuously reinforced (71% in 1991 compared with 51% in 1985) over Semi-finished products (8% vs. 17%).

Imports of Semi-finished products are concentrated in a few metal products (steel and non ferrous) and non ferrous semi-finished products (chemicals). Almost two thirds of Manufactured goods consist of Industrial equipment (primarily airplanes and mechanical and electrical machinery), as well as Private Automobiles and a few Consumer goods (printing and publishing, cosmetics and perfumes, textiles).

In summary, Canadian imports also appear to be concentrated in a limited range of products. As indicated in Chart II, the following six products accounted for over 50% of imports:

- . Aircraft assembly products represent the largest import (31% of purchases);
- . Wine and other beverages (9%) are the second largest import;
- . Private automobiles, though decreasing steadily over the past two years, remain in third position (6%);
- . In fourth to sixth position, come Handling equipment for mining and civil engineering (4%), Electrical equipment (4%), and Industrial materials (3%).

Also worth mentioning is the good performance of Organic chemical products which move up to seventh position, ahead of Printing and publishing.

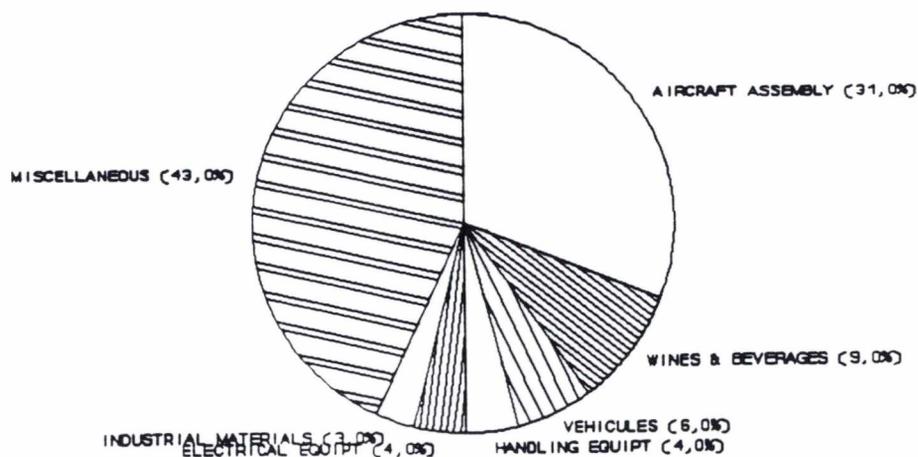
¹The statistics produced by French Customs inflate the importance of these purchases, as they consider the total value of the European airplanes assembled in France and then exported, whereas only about 40% of the delivery cost represents the French input.

Table III
CANADIAN IMPORTS FROM FRANCE
FROM 1989 TO 1991
in Millions of Francs

	1989		1990			1991		
	Share		Var			Var		
	Share		90/89 Share			91/90 Share		
	(%)		(%) (%)			(%) (%)		
AGRI-FOOD PRODUCTS	1722	16	1490	-13	14	1474	-1	12
Agriculture, forestry, fishing	904	8	797	-12	7	792	-1	6
Processed foods industry	818	8	693	-15	6	682	-2	5
ENERGY PRODUCTS	394	4	78	-80	1	19	-76	0
SEMI-FINISHED PRODUCTS	2305	21	2074	-10	19	2084	0	17
Minerals raw materials	5	0	5	0	0	2	-60	0
Metals	1055	10	1015	-4	9	946	-7	8
Non ferrous semi-finished	1245	11	1054	-15	10	1136	8	9
MANUFACTURED GOODS	6418	59	7297	14	67	8961	23	71
Industrial equipment	2842	26	4031	42	37	6044	50	48
Household equipment	155	1	109	-30	1	126	16	1
Automobiles	1186	11	977	-18	9	727	-26	6
Automobile parts	305	3	282	-8	3	301	7	2
Consumer goods	1930	18	1898	-2	17	1763	-7	14
MISCELLANEOUS	65	1	13	-80	0	23	77	0
TOTAL	10904	100	10952	0	100	12561	15	100

Source: Douanes françaises (NEC)

Chart II
SIX PRINCIPAL CANADIAN IMPORTS - 1991



Canadian Investment in France

The eighties were characterized by a significant though irregular increase in net direct Canadian investment in France. This trend strengthened at the end of the decade, as witnessed by the latest data published by the Bank of France which indicate an important acceleration of the rates in 1990 and 1991. However, the amount of investment remains modest, representing only 1% of total foreign investment in France. Canada could now take advantage of new measures adopted at the beginning of 1992 which liberalize the regulation of direct investment in France by countries outside the European Community.

CANADIAN INVESTMENT IN FRANCE SINCE 1985

The chart below, based on statistics from the Bank of France indicates that the rate of investment by Canadian businesses in France slowed down between 1985 and 1987. Then, after an exceptional year in 1988 due to a major single transaction (purchase of Martell by Seagram's) and a return in 1989 to normal investment levels, net rates have again picked up in 1990 and 1991.

*EVOLUTION OF DIRECT CANADIAN INVESTMENT IN FRANCE
1984 - 1989
(Million Current Francs)*

	1985	1986	1987	1988	1989	1990	1991
Investments	352	306	236	3380	362	446	720
Liquidations	-65	-40	-103	-288	-299	-89	-60
Balances	287	266	133	3092	63	357	660
Balance As % of Foreign Investment in France	1,4	1,4	0,5	7,2	0,1	0,6	1,0
Rate of Exchange \$1=FF	6,59	4,98	4,58	4,84	5,39	4,66	4,94

Source: Bank of France - Balance of Payments

CANADIAN INVESTMENT IN FRANCE IN 1990 AND 1991

The rate of net direct Canadian investment in France has shown a strong increase in 1991 for the second consecutive year, and reached a level of FF 666 million (\$ 135 million), a record high, with the exception of 1988. This increase, together with that of 1990, is due both to the larger amount of new investment and the smaller rate of disinvestment.

The sectors preferred by Canadian investors are mainly concentrated in industry, particularly chemicals, farm and industrial equipment, food and clothing. Agriculture and energy are relatively neglected while interest in the service industry tends to increase.

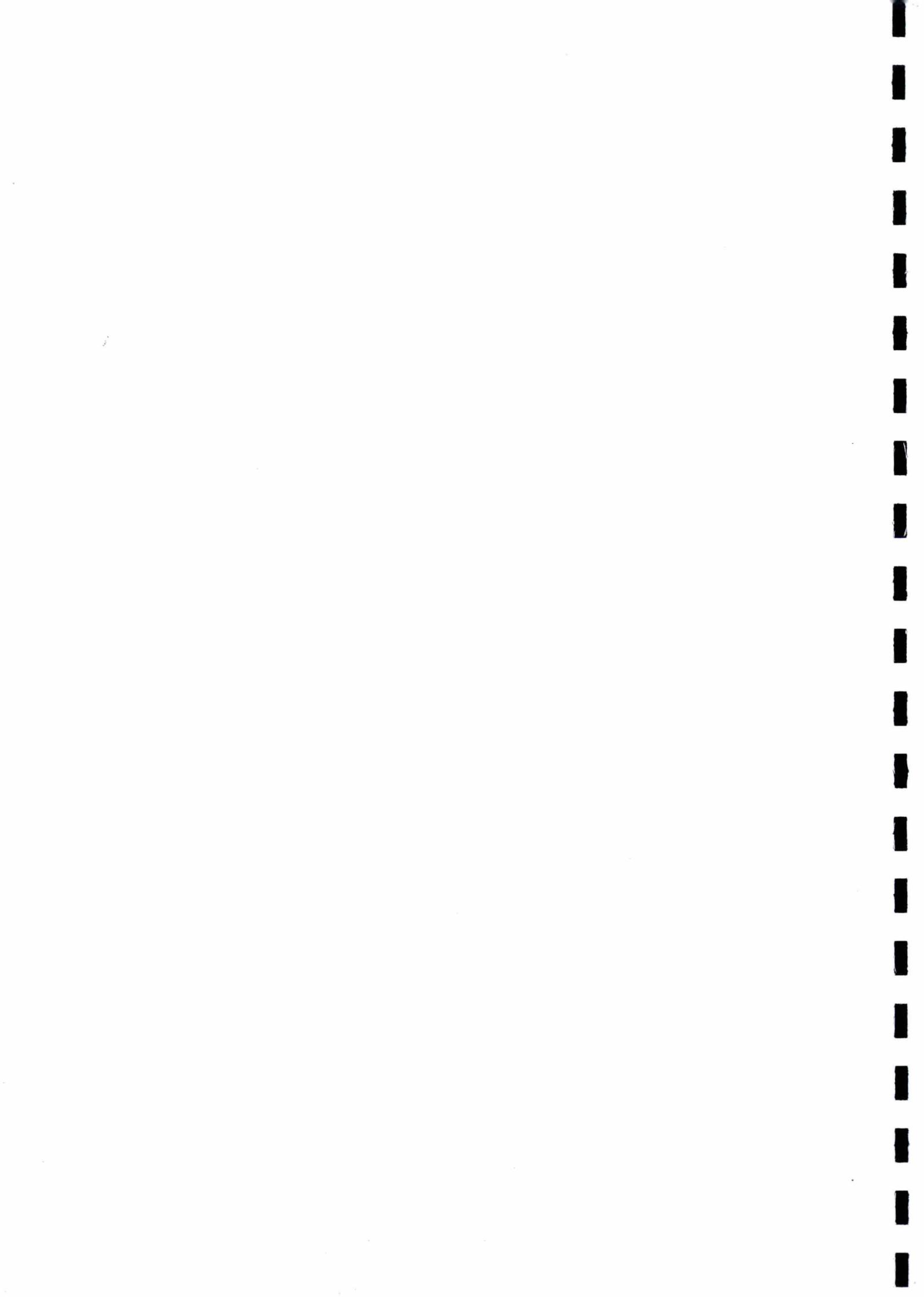
CANADA: TENTH INVESTOR IN FRANCE IN 1991

According to the latest available data from the Bank of France, Canada became the tenth foreign investor in France in 1991, accounting for 1% of direct net foreign investments in France.

Canada ranked behind the United Kingdom (31% of foreign investment), the Netherlands (23%), Germany (10%), Belgium/Luxemburg (8%), Switzerland (6.5%), Japan (6%), the United States (4%), Sweden (3.5%), and Italy (2%).

In 1991, some 100 French companies were more than 40% controlled by Canadian capital. The major Canadian companies have been present in France for many years. The largest French subsidiaries of Canadian companies are listed in alphabetical order in the chart below.

Cdian Parent	French Subsidiary	Activity	Turnover	Employ.
			Million/F	
Alcan Aluminum	Alum. Alcan Fr.	Aluminium	1389	1616
Alcan Aluminum	Technal	Aluminium	860	630
Alcan Aluminum	Alumaier	Aluminium	19	90
Alcan Aluminum	Alcan Toyo Europe	Powder of aluminium	80	80
Bata	Chaussures Myris	Shoe	744	1127
Bata	Bata	Shoe	1284	1750
Bombardier	ANF Industries	Mat. ferroviaire	771	1063
Canam Manac	Coloco	Metallurgy	23	51
Cascades	Casc. Blendecques	Paperboard	416	939
Cascades	Casc. La Rochette	Paperboard	610	444
Cascades	Cascades Avot-Vallée	Paperboard	200	215
Comptee-Inter.	Comptee France	Plastic	19	55
Dominion Textile	Senfa	Textile	174	90
Dominion Textile	Nordlys	Textile	180	300
Emco	Emco Wheaton	Mach./instrument.	7	12
Hiram Walker	Courvoisier	Cognac	987	411
Industrial Alloys	Migal Europe	Aluminium	25	23
Lallemand	Setric Biologie	Bio-industry	20	30
Lavalin	Lafarge Cop.Lavalin	Engineering	582	33
Lawson Mardon	Trent. Toulemonde	Machinery	249	319
McCain Foods	McCain Alimentaire	Agri-food	392	306
Molson	Diversey France	Detergent	360	593
Moore Busin.Form	Moore Paragon	Office paper	1160	1762
Moore Busin.Form	GLC	Printing	--	50
National Sea Prod	Bretagne Export	Fish product	322	31
Neo Industries	Neolor	Metallurgy	18	16
Northern Telecom	Northern Télécom	Telecommunication	122	250
Plastique moderne	Marius Fichet	Plastic	59	55
Plastique moderne	SCMP	Plastic	27	38
Polysar	Polysar France	Rubber	960	610
Seagram	Barton & Guestier	Win	927	409
Seagram	Mumm/Perrier Jouët	Champagne	250	100
Seagram	Mumm-Martell	Champagne/Cognac	3407	1530
Shaver	Shaver	Poultry	37	50
Varity	Massey-Ferguson	Agri. equipment	2299	1554
Velan	Velan-Rateau	Valve	81	77
Zanimob	Jacomo	Perfum	72	130
Zanimob	Jean Desprez	Perfum	25	2
Zanimob	Jean D'Avèze	Perfum	13	3



French Investment in Canada

In 1991, France became the third largest foreign investor in Canada. This position reflects a significant progress from the beginning of the eighties when France ranked sixth. This position is the result of a continuous upward trend in net direct investment by France in Canada during the decade. The growth trend has resumed in 1991, after a dip in 1990 which was the result, not of a slowdown in French investment but of a return to normal after an exceptionally good year in 1989.

Over 330 French companies are established in Canada, including Institut Mérieux, Péchiney, Air Liquide, Rhône-Poulenc, and Alstom. French banks are also represented with branches of BNP, Crédit Lyonnais, Société Générale, Paribas, and with the recent addition of several insurance companies such as AGF, Groupe Victoire and Les Mutuelles du Mans.

FRENCH INVESTMENT IN CANADA SINCE 1985

Canada is one of the countries that benefited from the extraordinary rise in direct investments by France which began in the mid-eighties. As indicated in the statistics published by the Bank of France in the table below, net French investment in Canada increased 6.5 times between 1985 and 1991, rising from a rate of 420 million FF (\$64 million) to 2,72 billion FF (\$550 million) in 1991, i.e. 2% and 2.5% respectively of total foreign French investment.

*EVOLUTION OF DIRECT FRENCH INVESTMENT IN CANADA
1984 - 1989
(Million Current Francs)*

	1985	1986	1987	1988	1989	1990	1991
New Investment	509	977	1212	1962	5388	2180	2845
Liquidations	-89	-201	-76	-170	-88	-599	-123
Balance	420	776	1136	1792	5300	1581	2722
Rate of Exchange for \$1=FF	6,59	4,98	4,58	4,84	5,39	4,66	4,94

Source: Bank of France - Balance of Payments

In terms of cumulated investment, Canada had received more than 4% of France's total foreign investment at the end of 1989, i.e. close to 18 billion FF (\$3,6 billion). Canada is the ninth largest target country of French investments, just after Germany and Italy (5% each) but trailing far behind the United States (25%).

FRENCH INVESTMENT IN CANADA IN 1990 AND 1991

In 1990, for the first time since 1985, net direct French investment in Canada dropped to less than 1,6 billion FF (\$339 million). However, this decrease was not due to a lack of interest by the French in investing in Canada, but rather the result of a return to normal after the extraordinary level of investments of 1989 which was due to the purchase of Connaught Laboratories by Institut Mérieux.

The year 1991 was marked by a recovery, with net investments progressing by 70% to over 2,7 billion FF (\$540 million). However, this positive result must be interpreted in context as it was not due to a generalized upward trend, but rather to a single major transaction (Alcatel-Câble France increasing its ownership in its subsidiary Alcatel-Câble Canada).

French presence in Canada is mainly in the form of acquisitions. In the past two years, French investors were particularly active in the insurance area. AGF acquired Canadian Surety, Les Mutuelles du Mans established a partnership recently with Industrial Alliance, and Groupe Victoire bought 50% of the Assurances Générales branch of Laurentian. In the industrial sector, Schneider bought Federal Pioneer.

FRANCE: THIRD LARGEST FOREIGN INVESTOR IN CANADA

According to statistics by Investment Canada, France, for the first time, ranked ahead of Japan in third position in terms of number of investments, behind the United States and the United Kingdom, with 55 company acquisitions or new businesses, corresponding to over 6.5% of overall foreign direct investments in Canada.

In terms of cumulated investments for the period 1985-1991, France, with close to 5% of foreign investment in Canada, became the third largest investor together with Japan, behind the United States (59%) and the United Kingdom (11%). The break-down by industry indicates that the leading sectors are Wholesale Trade (40%), followed very closely by Manufacturing (39%). Of lesser impact are Mining with only 7%, Finance and Insurance (6%), and Small Businesses (3%).

In total, over 330 French companies are established in Canada, half of them in Quebec. The attraction for Quebec is particular to the French, as the other major investor countries select Ontario 70% of the time.

Franco-Canadian Technological Exchanges

In order to enhance the competitiveness of Canadian companies, the Federal and Provincial governments have established a number of programs intended to facilitate their technological development.

In particular, the Federal government created two programs several years ago which take into account the international dimension of the search for new technologies:

- the **Technology Inflow Program (TIP)**; and
- the **Industrial Research Assistance Program (IRAP)**.

In addition, Canadian-European cooperation in new technology development, has resulted, for example, in the participation of several Canadian companies in the Eureka projects with the support of the Federal government.

Initiatives undertaken by the Embassy on behalf of technology transfer use these programs as well as other Federal and Provincial administrative instruments in order to respond to the needs of Canadian firms, as identified by increasingly numerous requests for assistance.

TECHNOLOGY INFLOW PROGRAM (TIP)

The Technology Inflow Program (TIP) is managed by the Department of External Affairs in Ottawa. It makes available to Canadian companies, and to the various private consultants who work with them, a network of some thirty Technology Development Officers (TDOs) who are responsible for identifying sources of technology to meet specific requests from Canadian businesses. TDOs are located in several technology development centres around the world. As TDOs are nationals of the host country in which the respective Embassies are located, they are fully aware of the local technology and industrial development networks.

In addition, TIP² provides financial support to Canadian companies to assist them in becoming familiar with foreign developments relevant to their needs, and particularly, to subsidize more frequent travel required by such dealings. Numerous Canadian business people have visited France under this programme, thus enhancing the development of technological exchanges for the mutual benefit of Canadian and French firms.

²The CNRC/IRAP in cooperation with EAITC has resumed this funding which had stopped in 1991/92.

INDUSTRIAL RESEARCH ASSISTANCE PROGRAM (IRAP)

This Program, administered by the Industrial Development Office of the National Research Council, assists Canadian companies in their technological development by placing at their disposal a network of 200 Industrial Technology Advisers who have an average of 15 years of industrial experience.

This network benefits from a "laboratory network", based in Ottawa, where some 50 Project Directors work on project development, each within a specific technological sector. In addition, the IRAP offers several possibilities for assisting companies at various stages of their research, development and technological innovation.

COOPERATION IN TECHNOLOGY DEVELOPMENT

It often appears more effective in a cooperative undertaking between Canadian and French companies, when the cooperation has a strong technical component, to initiate the joint effort at a stage preceding the finished product. This could take place, for example, at the level of technological development. This approach allows for an amortization of the joint effort in larger markets. Furthermore, from the beginning, different versions of the product can be conceived in light of differences in the North American and European markets.

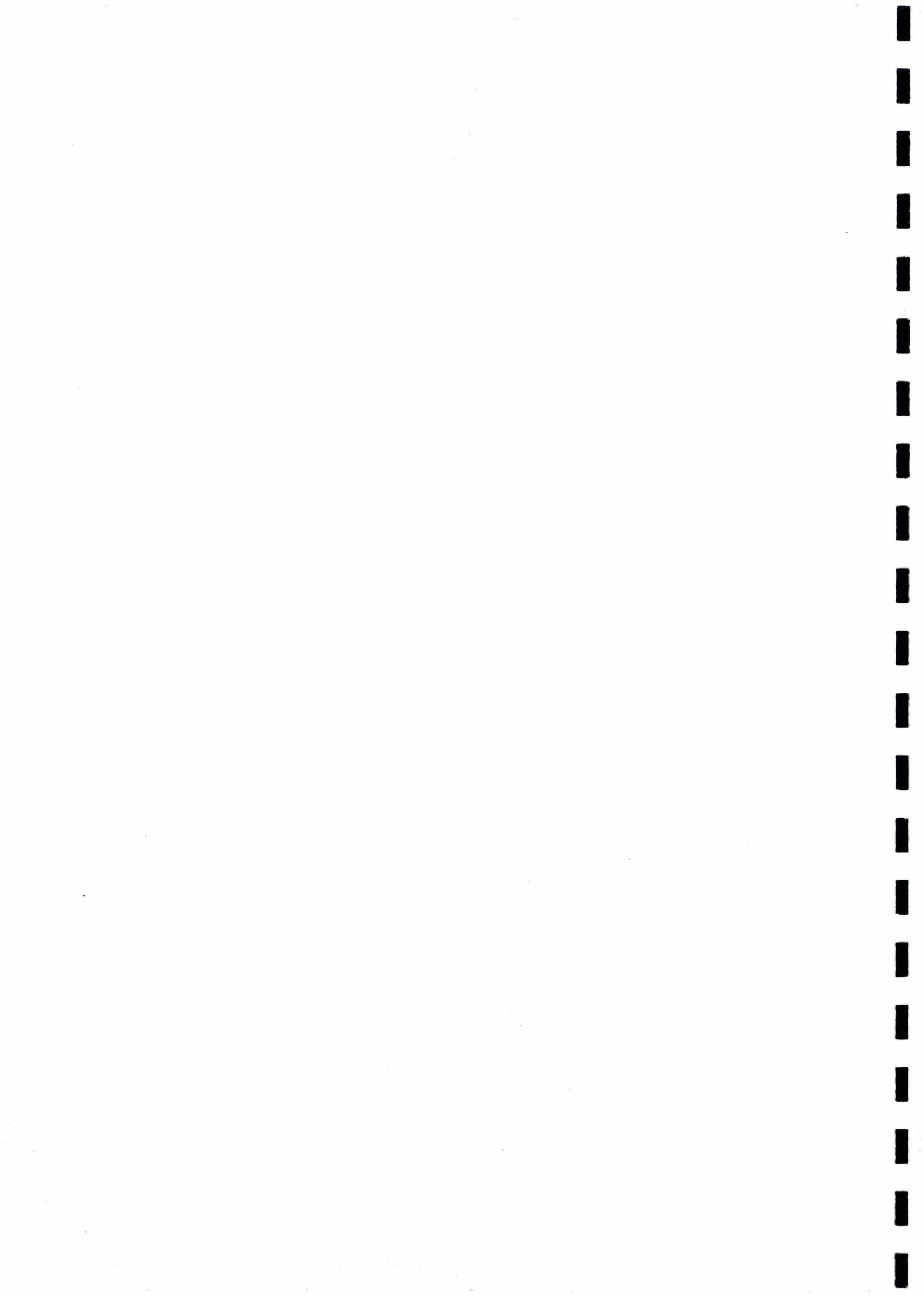
To cite one example, this is the manner in which the federal government assisted various companies to become involved in Eureka projects. It is hoped similar approaches may be identified to allow Canadian companies to participate in Esprit, Brite-Euram, Race (Research and Development Program of the European Economic Community).

The Embassy was particularly implicated in the entry of Zenon Environmental into a Eureka project pertaining to water filtration with Lyonnaise des Eaux. Another example is the involvement of Gentec and the National Optical Institute of Quebec, in a Eureka project with Quantel, BMI, and often with respect to the high power solid laser.

France / Canada
Key Economic Indicators
1991

	FRANCE	CANADA
GNP		
Billions of \$Cdn	1 369	679
Growth (1991/1990) (%)	1.2	-1.1
Rank	4th	7th
GNP per capita (thousands of \$Cdn)	23.4	25
INFLATION (%)	3.2	5.6
UNEMPLOYMENT RATE (%)	9.4	10.3
FEDERAL BUDGET DEFICIT (% of GNP)	1.95	4.6
INTERNATIONAL TRADE		
Exports (% of GNP)	18.5	19.8
Trade Balance (% of GNP)	-0.4	1.5
Current Balance (% of GNP)	-0.5	3.8

Sources: Bank of France & Bank of Canada



Agri-Food Sector

IMPORTANCE OF THE SECTOR

Agriculture

France is the dominant agricultural power in Europe with 22% of the total production. Land devoted to agriculture in France covers 31 million hectares, or fully 60% of the country. However, with an average size of only 34 hectares, the 903 000 French farms are generally small. Nevertheless, the number of farms is constantly decreasing and their size increasing. By the year 2000, it is estimated that the number of farms could fall to about 600,000. As with the number of farms, the active farm population is continuing its long decline, and accounted for only 1,250,000 individuals, or 6% of the total active population.

In 1991, the value of all agricultural products reached 331 billion francs (\$66 billion), of which 45% was from livestock and 55% from crops.

Agri-Food Processing

Agri-food processing produces the highest sales in any French industry: 643 billion francs in 1990 (\$128 billion), or 16% of all industrial activity. The agri-food processing industry contains 4,200 companies with a total of 400,000 employees, or 10% of France's industrial labour force. It contributes 3.5% of the Gross National Product.

Agri-Food Trade

Agri-food exports provide a substantial share of both farm and agri-food company incomes, and play a key role in offsetting France's overall foreign trade deficit. The agri-food industry accounted for 12% of French imports and 15% of French exports.

In 1991, agri-food exports exceeded imports by approximately 25% for a surplus of 44 billions francs (\$9 billion). The agri-food surplus is therefore very important considering that overall France had a trade deficit of 30 billion francs (\$6 billion francs) in 1991.

Second only to the United States as a world exporter of agri-food products (and first in the world in processed food exports), France is among the most important agricultural powers. It nonetheless faces two weaknesses: (a) the importance of unprocessed agricultural products as compared to processed products, and (b) the importance of European community export subsidies (worth 15 billion francs in 1990) at a time when reductions in these subsidies are expected.

FOREIGN PRESENCE

In addition to the important presence of foreign products on the French market, the activity of numerous foreign companies in France should be noted. Certain of these, such as Unilever France and Sopad Nestlé are among the most important international

companies in the agri-food sector. The share of total production accounted for by foreign firms reaches 18% and varies by product group.

In the case of several product groups, foreign companies play a predominant role with more than 70% of sales (broths, soups, dog and cat foods, coffee-roasting, instant coffee, potato processing, concentrated milk, margarine). For several other product groups the foreign presence varies between 25% and 70% (chocolates, candies, desserts, diet foods, biscuits, frozen foods). On the other hand, foreign companies control less than 25% of the market for certain processed foods (meat processing, fruit and vegetable processing, dairy products, wines) and are almost absent from others (mineral waters, beer, processed fish).

CANADIAN PRESENCE

In terms of direct investment in France, the Canadian presence is limited to several companies: McCain Foods (McCain Alimentaire, Beau Marais); Seagram (Barton et Guestier, Champagne Mumm, Cognacs Martel, Janneau Fils); Hiram Walker (Cognacs Courvoisier); Les Minoteries Ogilvie (Tenstar Ogilvie); Shaver Poultry Farms (Shaver France S.A.).

Furthermore, there exist numerous opportunities for Canadian companies to sign industrial cooperation agreements as France has developed numerous products and processes that are little known in North America. These could be of interest to Canadian companies seeking to diversify.

TRADE WITH CANADA

In terms of an outlet for Canadian exports, France remains an underexploited market for both agricultural and food products. During 1991, Canada exports to France were valued at some 350 million francs (\$70 million). The major commodities were horse meat, mustard seeds, frozen blueberries, whiskey, semen, pulses, soya beans and wheat. Early in 1990, France also became an interesting market for Canadian exports of breeding bison and bison meat. In contrast, French agri-food exports to Canada in 1991 reached 1 600 million francs (\$320 million). Beverages and milk products were the principal products exported.

REGULATIONS AND MARKETING

Distribution and marketing channels in France are as diversified as in Canada and very similar. There frequently exists a rather narrow range of products which may be of interest to any particular importer.

In this sector there are numerous technical standards as well as phytosanitary and zoosanitary requirements, both of national and community origin. Each product or label is reviewed individually. These norms and constraints regulate various characteristics from production to the consumer. In certain cases, such as the regulation of food additives and the approval of abattoirs, these requirements may prove to be quite rigorous. The exporter should bear in mind that their accommodation permits entry not only into the French market, but also into the whole of the EEC, with its 340 million consumers.

OUTLOOK FOR 1993

Given the primary role that the Common Agricultural Policy (CAP) has played in the creation and development of the EEC for the past 30 years, "the single market of January 1, 1993" for agricultural products will not have a new impact on the present economic situation. France has, therefore, actively sought an accord among the "Twelve" in Brussels governing certain key French products. In addition, France is arguing for the community-wide adoption of labels of origin and quality, and "process certifications" (certifications de procédés).

MERGERS AND ACQUISITIONS

With the exception of BSN, the French agri-food sector is composed of numerous small and medium-sized companies which are quite advanced technically, but have a weak financial base. Restructuring and foreign purchases are continuing on a steady basis.

ADDITIONAL SOURCES OF INFORMATION

Useful Address:

National Federation For Trade In Food Products
171, avenue Victor Hugo
75116 Paris
Tel: (1) 47.27.19.06
Fax: (1) 47.55.69.44
Telex: 649 321 F

Major Sectoral Fairs:

International Food Show/Salon Intl de l'Alimentation - SIAL
Paris, in October of even years (1990)

International Agriculture Fair/Salon Intl de l'Agriculture - SIA
International Agricultural Machinery Show/Salon Intl de la Machine
Agricole - SIMA
Paris, in March each year

Salon professionnel des Productions agricoles (SPACE)
in September each year



Automobile Parts and Accessories

IMPORTANCE OF THE INDUSTRY

French automobile production reached a total of 3,61 million units in 1991. The market included 2,03 million local registrations of private vehicles, a drop of 12% from the record in 1990. The share of French manufacturers on the domestic market was 60%, with 27% for Renault and 33% for Peugeot SA. At January 1, 1992, there was a total of 29 million vehicles in France, with a rapidly increasing proportion of diesel powered engines. In terms of density, there were 400 automobiles per 1,000 of population. For every new car sold, there were 2 second hand vehicles.

The vehicle parts and components market is split into two groups: a) the "original equipment" market; parts used in the assembly of new vehicles; and, b) the "replacement parts" market; parts used for the maintenance and repair of vehicles.

The marketing of repair parts occurs through two primary circuits: a) **the vehicle manufacturers networks**; and, b) **the parts manufacturers networks**, complemented by independent importers and a parallel system (petroleum companies, large chain stores, auto centers, retailers...).

The main warehouse of the vehicle manufacturer purchases from parts manufacturers; it supplies the assembler's subsidiaries and franchisees. These then supply company representatives, who in turn supply independent mechanics. Parts manufacturers supply distributor warehouses and independent wholesalers; these supply smaller wholesalers and independent repairmen who interface with the final consumer. Petroleum companies and large chain stores deal sometimes with the parts manufacturers and sometimes with the independent distribution network. A comparison of the two distribution systems reveals that the parts manufacturers' system is shorter than the other. The three channels are structured in the following manner:

Vehicle manufacturer (French and foreign) network:

- 195 subsidiaries and branches
- 3 750 exclusive dealers, and
- 22 450 exclusive representatives

Parts manufacturers network:

- 70 importers
- 1 350 distributor warehouses, independent wholesalers, small wholesalers
- 6 000 body shops
- 15 000 independent repair mechanics

Parallel networks:

- 31 500 service stations of which 5 800 are independent
- 7 200 hyper and supermarkets
- 775 auto centers

The French market for replacement parts and equipment is valued at an estimated 44 billion FF (\$9,4 billion) at retail, divided as follows:

- generic parts : 30,8 billion FF
- branded parts : 8,2 billion FF
(monopolized by
vehicle
manufacturers)

In the generic parts market, the only one in which there is true competition between the different networks, market shares are divided as follow:

	Sales	Market Share
	(Billion FF)	(%)
Parts manufacturers network	16,3	45.5
Vehicle manufacturers network	14,0	39.0
Parallel network	5,5	15.5
Total	35,8	100

The various types of products relate to parts and equipment intended for maintenance or repair, accessories (extinguishers, seat belts, seat-covers, radios...) basic tools and garage tools (maintenance, inspection, diagnosis), paints and maintenance products.

	Vehicle Manufacturers Network	Parts Manufacturers Networks
	(%)	(%)
Electrical parts	58	42
Motor part	37	63
Chassis parts	47	53
Body parts	46	54
Tools	14	86
Total	44	56

For other components such as brakes, mufflers and batteries, the independent network commands, on average, more than 60% of the market.

EXTERNAL TRADE

The value of exports in the automobile industry reached 144 billion FF in 1991, generating a trade surplus of 32 billion FF, up 26.2% from 1990.

Apparently, the entire trade surplus of 26,8 billion FF was generated by the "Parts and equipment" category. However, also included in this classification are parts kits (car knock down) destined for the assembly of vehicles outside France which, as is the case for Renault, are subsequently imported into France.

CANADIAN PRESENCE

In 1991, according to the "Fédération des Industries des Equipements pour Véhicules" (FIEV), imports of Canadian equipment amounted to 28 million francs (\$5,6 million) or 0.1% of total French imports in this sector.

No independent company has ever been created for the manufacture of parts adaptable to French cars. There are, nevertheless, several importers of parts for foreign cars who are not affected by the 1957 French law protecting "intellectual and artistic property". Forty small importers thereby share 2% of a market.

OUTLOOK FOR 1993

The European imperative for 1993 is giving rise to numerous reorganizations characterized by the following major trends:

- the increase in price of low and mid-range automobiles due to anti-pollution devices, beginning with the 1993 production, could stall the recovery of automobile sales. However, this impact could be reduced subsequent to the elimination of the increased VAT rate, with cars being taxed at the normal rate of 18.6%.
- internationalization of the equipment market is increasing as evidenced by changes in the rate of European exports;
- products and manufacturing processes are becoming increasingly sophisticated with the development of automobile electronics and new materials. Once a manufacturer of components, the equipment supplier is becoming a designer and a manufacturer of systems;
- the search for productivity is necessitating a growing concern with respect to quality, price and delays;
- the arrival of large American and Japanese equipment suppliers is forcing their European counterparts to redefine their strategies. This repositioning is resulting essentially in a search for critical size and industrial synergies and recently an agreement between Renault and Volvo;
- finally, the development of auto centers and do-it-yourself stores supplying automobile parts has disrupted the traditional distribution channels. In this respect, it is possible to note the interest of Castorama in the Autocity concept (4,000 m² of shelves covering 6 hectares) and the Autopole at Auxerre (a French

adaptation of the American "auto malls", the first automobile repair supermarket born from the colocation on the same site of eight equipment suppliers each offering their specialized services.

ADDITIONAL SOURCES OF INFORMATION

Useful Addresses:

Fédération des Syndicats de la Distribution Automobile (FEDA),
10, rue Pergolèse
75782 Paris Cedex 16
Tel: (33-1) 45.00.39.71

Fédération des Industries des Equipements pour Véhicules (FIEV)
77-81, rue Jean-Jacques Rousseau
92150 Suresnes
Tel: (33-1) 46.97.00.56
Telex: 630.943 F

Trade Fairs:

The main salon (biannual fair) is:

EQUIP'AUTO - Salon International des Industries d'Equipement et d'Entretien de l'Automobile
Paris Nord - Villepinte, October 22-28, 1993.

alternatively with:

International Automobile Show
MONDIAL DE L'AUTOMOBILE
Salon International de l'Automobile
Paris - Porte de Versailles, October 8-18, 1992.

Biotechnology

IMPORTANCE OF THE SECTOR

In France, biotechnology is the privilege of a few important industrial groups whose profits exceed 6 billion francs (\$1,2 billion) and which have diversified interests in many industrial sectors, notably Elf-Aquitaine, Rhône-Poulenc, Sanofi--branch of Elf and Roussel-Uclaf.

Four types of companies take an interest in biotechnology:

1. Companies that customarily include fermentation business and are involved in bio-industry, namely pharmaceutical and agronomic firms. Owing to high value-added the chemical and pharmaceutical sectors of this industry are certainly the most active. For Rhône-Poulenc, Roussel, Uclaf and Mérieux, biotechnology represents a potential for growth and a means to improve their manufacturing methods. Except for BSN, Pernod-Ricard or even Roquette (corn), agronomic companies devote minimal efforts in this sector;
2. Companies like Compagnie Française des Pétroles and Liquid Air which take little or no part in the bio-industries, but which are concerned by the development of biotechnology for their new techniques. These companies have at their disposal an important research system, as well as a means of financial support, allowing them long term investments;
3. Companies with limited growth plans but whose traditional interests contribute important benefits, and allocate part of their profits to research and cooperation agreements with public organizations (N.S.R.C.) and with companies specializing in national or international biotechnology. The best example is the Orsan Group, which is part of Lafarge;
4. Biotechnology Specialized Companies (BSC) although the contributions to the French biotechnological industry by these companies remains relatively modest and their numbers remains low compared to their foreign counterparts (mainly American), the advent of these BSC has genuine prospects.

More significant than their quantity is the creation of realistic and ambitious projects by BSC's such as Bio-Europe, Transia, Clonatec, and new funding for already established companies such as Valgoga and Immunotech.

Transgene, the oldest and most important of the French BSC's devotes as much importance to industrial and commercial strategy, as to the scientific accomplishments of its researchers.

The emergence of the BSC in France may appear out of step, for example, with the trend in the US, where the number of companies is being reduced by the merger of small companies into larger ones.

FOREIGN TRADE

It is difficult to estimate biotechnology foreign trade statistics owing to the fact that the manufacturing companies in this sector are among the largest pharmaceutical and chemical companies, and do not distinguish between total export figures and those from this specific sector.

Foreign presence in this sector is not easily discernible because almost no foreign company established in France concentrates specifically in biotechnological product development.

For the time being, Canadian companies (such as Iaf Biochem, Chembiomed, Waitaki or Bio-Research) should concentrate their efforts in this sector on developing commercial and scientific cooperation with their French counterparts (such as Transgene, Immunotech, Clonatec, Biosys and other like Biomerieux), as was done during Bioexpo 89.

ADDITIONAL SOURCES OF INFORMATION

Useful address :

BIOFUTUR
15, rue Buffon
75005 Paris
Tel: (33-1) 47.07.11.22

This magazine is in contact with companies involved in this sector and publishes a monthly report of all new biotechnological developments.

Cable TV Industry

IMPORTANCE OF THE SECTOR

Cable TV has had trouble catching on in France. Although over 3,5 million households have access to the cable, only 820,000 (February 92) have chosen to subscribe – only 6% of the total number of households in the country. And this is after 10 years of a government supported plan for cabling the country with fibre-optic cables to provide the infrastructure not only for cable TV, but for other broad-band applications as well.

It now looks as if the industry is finally getting going. The number of subscribers has more than doubled (51%) in the past year, and the predictions are for 2,7 million subscribers and 8 million households with access to cable by 1995. But to reach these goals, they will need equipment to establish the network, programs to attract customers, and marketing expertise to sell the service – all areas of Canadian strength.

CURRENT INDUSTRY STRUCTURE

Each cable system in France has three partners. First there is the cable operator (cablo-operateur), who is responsible only for the head-end of each cable network, the equipment on the customer's premises and the content on the cable itself. The cableur, usually France Télécom, France's telephone company, has the responsibility for the physical cable itself. The third partner is a controlling body, usually an agency of the municipal government.

There are several reasons why cable is not yet popular in the country. Cable is relatively expensive – often over \$30 per month for the service, and often not well marketed. Several of the channels available are in languages other than French, and even those that are in French are unknown to the population – not listed in most newspaper TV guides.

The push is now on to overcome the penetration-rate problem. Too much has been invested, and the existence of a strong cable TV network is a priority for the government. The French are looking at marketing techniques used in other countries. Cable networks are increasingly offering a basic service complemented by options at a higher price. Pay-per view TV will become a reality with the introduction of Visiopass (an intelligent decoder/descrambler). The channel capacity of the networks, today commonly around 30 channels to 40 by 1994.

OPPORTUNITIES FOR CANADIANS

Television Programs

The cablo-operateurs require more programming. They need specialized programs appealing to niche markets – educational programs, ethnic programs, a music channel, children's shows – anything to attract customers. To accomplish this they have been investing in new television channels.

Canadian television is of interest - and not necessarily only French language programming - dubbed programs are well accepted. They have mentioned a strong interest in documentaries, in English (documentaries are relatively easy to translate) or French, that could be used when they establish their educational channel.

Equipment

The next few years will see heavy investment to establish the cable networks. Despite the size of the market, potential equipment exporters must expect difficulties. Standards are different. Not only is the broadcast standard, SECAM, quite different from NTSC, thus affecting head-end equipment, but there is little use of the VHF band – most of the cable distribution is done on the UHF band between 470MHz and 860MHz resulting in greater fading problems.

Electroline, a Canadian company that markets remotely addressable signal filters (to control clients' access to optional services), has a product eminently suited to the French marketplace with its abundance of apartment buildings. They have had to modify the product by replacing the filter with one for the appropriate frequency range. The replacement component is manufactured in France, thus the product has value added in France – an important consideration to many potential clients.

With the rapid push to cable the country in the next few years, there is currently a window of opportunity for selling equipment. Once the purchasing decisions are made, especially as the market saturates, the window will close.

Marketing, Managing, Consulting

Representatives from the French cable industry visiting Canada in June 1991 showed great interest in Canadian marketing methods. The idea of optional packages, the directed marketing to different segments of the population, the special rates for apartment buildings, the pricing of different services were all appealing. The visitors felt that Canadian experience had a great deal to offer France. However, France is establishing its network on a basis different from our own, with a different technical standard, different division of roles, and a very different political presence. It is not clear that Canadian consultants or Canadian companies wishing to manage French cable firms will have an easy go of it. Videotron, a large Canadian cable company moved its European operations to England where it has been very successful after several difficult years in France.

ADVICE AND PLANS FOR 1992

Entry into the French market requires time, money, patience and resolve. There is an awareness that Canada is very effective when it comes to installing cable systems - cable installation costs in Canada are one-third what they are in France. This does not, however, mean that Canadians will not have to work hard to prove that they have something to offer. Companies will have to learn the political side of the cable industry as well as the technical side if they hope to have a chance. Canadian cable equipment companies may be well advised to start talking to companies that are responsible for the cable systems in the smaller cities who have the flexibility to more rapidly integrate Canadian equipment into their installations.

The market for television program sales to the cable industry should be one that sees strong steady growth over the next few years. Those interested in the market should contact the Telefilm Canada as well as EAITC for more information. Companies wishing to enter into the management of French cable companies perhaps have the most to offer in terms of experience, but may be faced with the most problems. Only those with a very strong Canadian base and with plenty of time and money to invest should consider such a move.

ADDITIONAL SOURCES OF INFORMATION

Useful Addresses:

Communication-Développement/Citévision

4, place Raoul Dautry

75015 Paris

Tel: (33-1) 43.35.82.98

Fax: (33-1) 43.35.82.99

Compagnie Générale de Vidéocommunication

Groupe Générale des Eaux

52, rue d'Anjou

75008 Paris

Tel: (33-1) 42.66.91.50

Fax: (33-1) 47.42.42.70

Lyonnaise Communications

4-6, Villa Thoreton

75015 Paris

Tel: (33-1) 44.25.81.81

Fax: (33-1) 44.25.80.99

Trade Fair:

MEDIAVILLE

Association des Maires de Grandes Villes

42, rue Notre-Dame des Champs

75006 Paris

Tel: (33-1) 45.48.14.16

Fax: (33-1) 45.48.98.54

This trade fair is held in a different town, each year.



Chemicals

IMPORTANCE OF THE SECTOR

In 1991, the French chemical industry, with about 1,400 firms, realized a turnover of 373 billion French francs (\$76 billion), and represented the second biggest manufacturing industry after the automobile industry.

Between 1982 and 1991, the production of chemical products increased by 38%, while the industry as a whole excluding building construction, grew only 16%.

The French chemical industry's workforce is approximately 265,000 and this figure represents 7% of industrial employment. In 1991, investments grossed 23 billion French francs (\$5 billion), that is 12% of total investments in the industry. In fact, research and development represented 18% of total investments (19 billion French francs) (\$3,8 billion). The top grossing French companies include: Rhône-Poulenc, Atochem, Liquid Air, L'Oréal, Sanofi, Roussel-Uclaf, and Bayer-France.

In 1991, the sector's different interests represented:

	Sales	Exports	Imports
(Billion French Francs)			
Primary Chemical Pdts	161	94,9	93,2
Parachemistry	118	38,4	24,2
Pharmacy	94	18,7	10,6
Total	373	152	128

Source: Union des Industries Chimiques

In 1991, the overall production increased by 2.3% in volume compared to 1990. Primary chemical products increased by 2.2% in 1991, parachemistry by 1.5%, while pharmacy profited from a 6.4% increase.

FOREIGN TRADE

Representing one-third of French industry's total profit balance, the chemical industry realized a positive balance of 24 billion French francs (\$5 billion). The average margin rate (E/I ratio) is 119.

Among the ten main foreign companies established in France; three are American (Dupont, Dow and Union Carbide), three are German (Bayer, Hoechst and Basf), one English (ICI), one Swiss (Ciba), one Italian (Montedison) and one Dutch (Das). No

Canadian company ranks among the 25 top foreign companies. Among these top "25", the lowest ranked company realized a turnover of 500 million French francs (about \$107 million). The better established Canadian companies in France are: Emco Wheaton France, Inco, Shenectafy, Diversey, Cabot, Sanisol.

In 1991, Canada ranked as the 25th supplier to France and the 24th as a client. As well, in 1991, Canada's exports totalled 348 million French francs (\$71 million), representing 0.27% of total French import. On the other hand, France exports totalled 1,020 billion of French francs (\$207 billion) to Canada (+26%).

The principal opportunities offered by the French market are:

Inorganic Chemistry

- oils and fuels (inflammables)
 - inorganic compounds (hydroxides, peroxides, sulphides, metalloids, oxides, chemical radio-active compounds, etc.)

Organic Chemistry

- sugars, epoxides, acetics, acyclic alcohols, phenyl alcohol, ammonium salts, etc.
- plastics, synthetic resin, natural and synthetic rubber

Pharmacy

- glands
- animal substances
- hormones, products with hormonal characteristics

Parachemistry

- dyes, paints
- powders and explosives

ADDITIONAL SOURCES OF INFORMATION

Useful address:

Union des Industries Chimiques (U.I.C.)

64, avenue Marceau
75008 Paris
Tel: (33-1) 47.20.56.03

Trade Fair:

Interchimie

Paris, December 1992

Computers

IMPORTANCE OF THE SECTOR

In 1990, the computer hardware market in France totalled 85 billion FF, an increase of 9% over 1989. The market is expected to grow to 115 billion FF in 1994.

The total number of computers in use in France during 1990 could be divided into four categories according to size:

- mainframe computers costing more than 7 million FF each: 2,548 units;
- medium-size computers, valued between 1,6 and 7 million FF each: 6,230 units;
- small computers, priced from 250,000 FF to 1,6 million FF each: 11,560 units;
- very small computers, priced between 130,000 and 250,000 FF each: 94,432 units.

A breakdown of the French market by type of hardware shows the following:

- mainframes: IBM, Fujitsu and NEC represent over 65% of the market;
- mini-systems: IBM and DEC share 33% of the market;
- micro-computers: IBM holds 25% of the market, Apple 11% and Compaq 5%.

As most companies are now equipped with hardware, software expenditures exceeded those for hardware in 1990.

The breakdown of the French market by sales is as follows:

Company	Annual Sales	Employees
	(Billions FF)	
IBM-France	43,7	21 419
Bull	34,5	45 476
Digital (DEC)	7,1	4 600
Hewlett Packard	5,7	3 600
Unisys	3,4	2 330

Source: SFIB (Syndicat National des Fabricants d'Ensembles d'Informatique, de Bureautique et de leurs Applications Télématiques)

IBM acquired 5.7% of Bull in February 1992, in exchange for providing state of the art technology and for purchasing French products. The intention of this agreement is to help Bull overcome its severe financial problems by ensuring it access both to RISC technology and to new markets. IBM is committed to buying portable micro-computers from Zenith, a Bull subsidiary, and to subcontract from that company for four years.

OPERATING SYSTEMS

The most striking recent innovation in computer operating systems is the introduction of Unix which has the flexibility ("portage") to be used with different operating systems. Nonetheless, Unix will not mean the elimination of operating systems specific to one manufacturer or one line of computers: MVS and VM at IBM or VMS at Digital, for example. In the micro-computer domain, it is likely that MS-DOS and OS/2 will continue to coexist and dominate a large share of the market.

SOFTWARE AND SERVICES

Software remains the most thriving computer market. Growth of over 20% is expected through 1992 prompted by the prospects of increased demand from the single European market. The fastest growing sector is software designed for specific operations (e.g., management, electronic data interchange). This software represents a third of the total market for software and related services.

The software and services market in France (software includes packages) is dominated by two key groups: hardware manufacturers, and companies providing only software applications and service known as SSII (Sociétés de Services et d'Ingénierie en Informatique).

The various hardware manufacturers cover France through 500 companies. The total number of SSII, regardless of their size, account for 4,600 firms. These suppliers are mainly located in three important regions: Ile-de-France, Rhône-Alpes, and Provence-Côte d'Azur.

Over 50% of the software used in France is developed by an SSII; 32.5% are developed by hardware manufacturers, and 16% by universities or independent users. The major SSII groups in France are: Cap Gemini Sogeti, the leader in Europe and 6th company worldwide; Sligos, CGI Informatique, Métrologie.

EXTERNAL TRADE

In 1990, France's deficit in the computer equipment sector totalled 18,5 billion FF (\$4 billion). With production worth 66,6 billion FF (\$14,5 billion), exports were 31,1 billion FF (\$6,8 billion); imports amounted to 49,6 billion FF (\$10,8 billion). The total software development and service industry in France represented a total of \$16,5 billion in 1990. The share held by the SSII firms amounted to 53.5% of the total.

OUTLOOK FOR 1993

The computer industry is experiencing a crisis world-wide. American companies are concerned about the implications of the single European market and protectionist barriers. In Europe, market growth is greater than in the United States, and most of the prominent companies are seeking to enter the European market. IBM has set up in Ireland; Hewlett Packard is already established in France and produces all its equipment in Europe; and Digital is located in Scotland. Medium-size companies, such as Apple and Compaq, are also thinking of investing in Europe.

European companies such as Bull, ICL, Olivetti or Siemens are not particularly content with the present situation, especially as they see Japanese products beginning to enter the market; Fujitsu, for example, has just purchased ICL.

Concerning the software market, most of the large software development companies are seeking to set up subsidiaries in developing countries (India, and in countries in Eastern Europe, such as Poland or Hungary), taking into account the higher costs of development and the lack of high calibre programme developers in the western world.

CONCLUSION

If the 1970s were the years of IBM, and the 1980s the years of linkage between computers and telecommunications, this new decade should see the development of multi-media (pictures, text and sound). The principal challenge will be to manage coherently the progressive introduction of these new technologies. Not all that currently exists will be discarded, but it is necessary to adopt a rigorous attitude to what is new; will each new innovation be marketable? How will it be received and adopted by users? How will it be integrated in the global strategy of a company? There are many such questions for which answers will have to be found in this decade if one hopes to survive to see January 1, 2000.

ADDITIONAL SOURCES OF INFORMATION

Useful Addresses:

Syntec Informatique
3, rue Léon Bonnet
75016 Paris
Tel: (33-1) 45.24.43.53
Fax: (33-1) 42.88.26.84

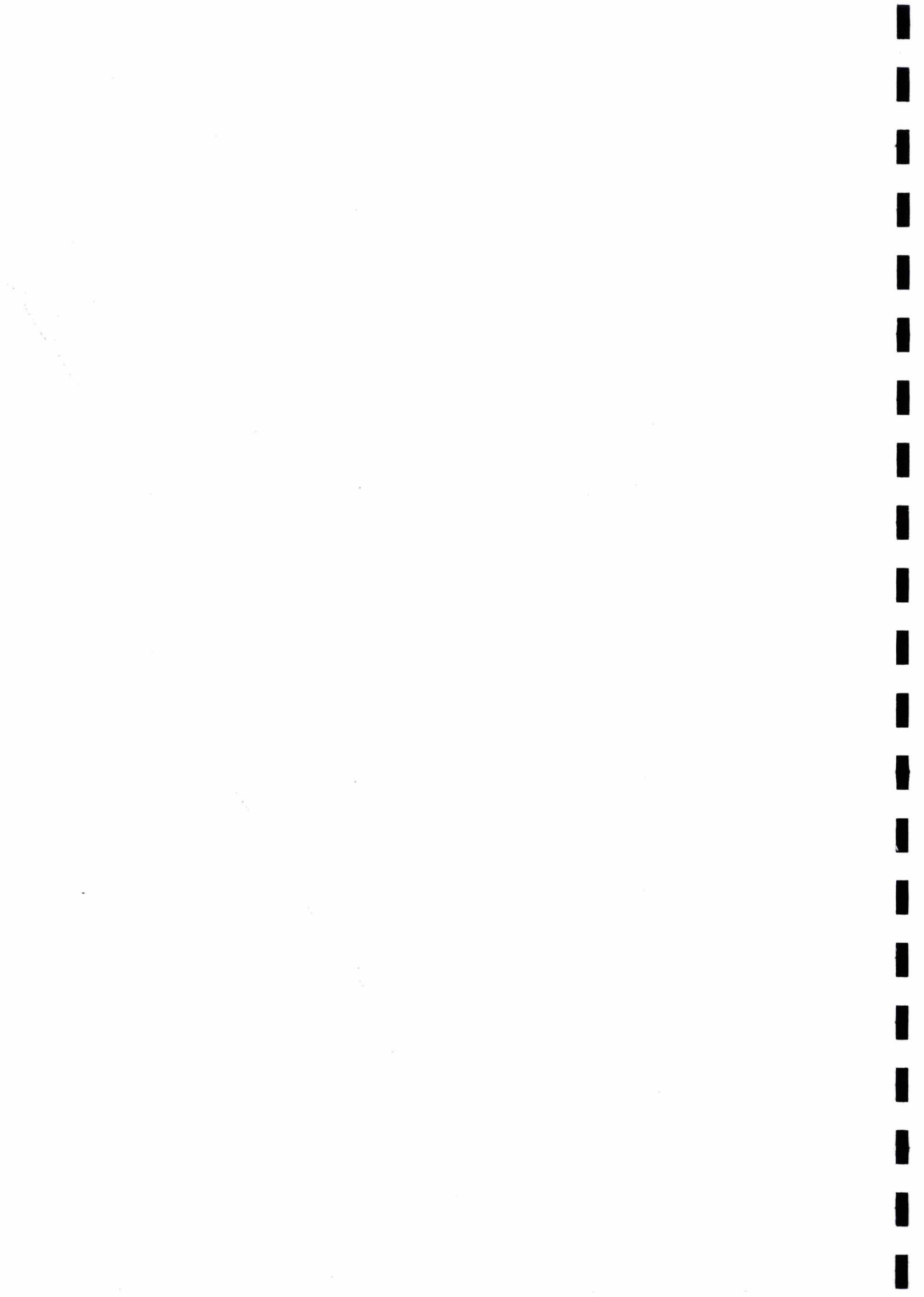
SFIB (Syndicat National des Fabricants d'Ensembles d'Informatique de Bureautique et de leurs Applications Télématicques)
11, rue Hamelin
75783 Paris Cedex 16
Tel: (33-1) 45.05.71.09

Trade Fairs:

FIT (Forum Informatique Télécommunications)
Paris, October 1992

SICOB
Paris, October 1992

PC FORUM
Paris, February 1993



Consumer Goods

IMPORTANCE OF THE SECTOR

With regard to procuring raw material and energy products, France is very dependent upon other countries. On the other hand, unlike many other industrialized countries, France produces most of its everyday requirements for consumer goods.

In 1991, consumer goods exports represented approximately 181 billion francs (\$36 billion) in foreign trade, or 15% of French exports, chiefly in the following sectors:

- pharmaceutical products;
- perfumes;
- leather products and shoes;
- textile goods/clothing.

61% of French products are exported to other EEC countries. Next are the United States, Switzerland, French overseas departments and territories, and Japan.

FOREIGN PRESENCE

Since the production of certain products is insufficient to meet domestic needs, France has to import certain goods, especially:

- parapharmaceutical products;
- textile & leather goods/shoes;
- hosiery;
- clothing articles;
- furniture.

Low priced clothing articles are mainly imported from the Orient and North Africa. Imports of these products in 1991 totalled approximately 88 billion francs (\$18 billion), which represented 7% of total French imports.

CANADIAN PRESENCE AND ITS POSSIBILITIES

Canadian consumer goods with potential for sales to France include textiles, toys, winter clothing, furs, sporting goods, costume jewellery, books, gifts and gadgets. Other sectors such as leather goods and household appliances have less chance of penetrating the French market because of competition, market saturation and lack of consumer interest.

The presence of Canadian consumer goods on the French market remains modest. The most important Canadian penetration amounts to some 600 million francs (\$111 million) in the textile industry. French demand, for the moment, is high, but it is difficult to locate goods in Canada that meet French preferences. Evidently, Canadian manufacturers are not taking full advantage of the potential that the French market offers.

One of the most promising sectors in France is the leisure products sector. Items of interest include sporting equipment, clothing, sportswear, snow boots, aqua-centres, and recreation centers. The French market represents a potential market for Canadian consumer goods with value added and advanced technology.

COMMERCIALIZATION AND REGULATION

With the exception of electrical equipment and white goods, very few regulations and standards impede the importation of consumer goods. Import duties are not very high. The VAT of 18.6% applies to all consumer goods.

ADDITIONAL SOURCES OF INFORMATION

Useful addresses:

- **MODOM (Comité de Coordination des Industries de la Mode Masculine)**
(Coordination Committee for Men's Clothings Industry)
5 rue d'Anjou, 75008 Paris - Tel: (33-1) 42.65.73.20
- **Fédération Française du Prêt à Porter Féminin**
(French Federation for Women's Ready to Wear)
5 rue Caumartin, 75009 Paris - Tel: (33-1) 42.68.08.40
- **CIM (Comité de la Mode)**
(Fashion Committee)
5 rue d'Anjou, 75009 Paris - Tel: (33-1) 42.65.50.42
- **GIH (Groupement des Industries de l'Habillement)**
(Clothing Industries Organization)
2 rue Joux-Aigues, 31000 Toulouse - Tel: (33-1) 65.52.28.18
- **Fédération Française des Industries Nautiques**
(French Pleasure Boats Builders Federation)
Port de la Bourdonnais, 75007 Paris - Tel: (33-1) 45.55.10.49
- **Fédération Française des Industries du Sport et des Loisirs**
(French Federation for the Sport and Leisure Industries)
36 avenue Hoche, 75008 Paris - Tel: (33-1) 42.25.24.37

- **Fédération Française des Sports de Glace**
(French Federation for Ice Sports)
42 rue du Louvre, 75001 Paris - Tel: (33-1) 42.61.51.38

Trade Fairs:

- January **Salon International du Jouet** Paris
(Intl Toy Exhibition)
- Jan & **BJORCHA (Jewellery Exhibition)** Paris
 Sept
- February **Salon International de la Lingerie** Paris
- Feb & **Prêt à Porter Féminin et Boutiques** Paris
 Sept (Women's Ready to Wear Show)
 SEHM (Menswear Exhibition) Paris
 Salon de la Mode Enfantine Paris
 (Children's Clothing Exhibition)
- March **Salon Prof. Intl des Articles de Sports d'Hiver** Grenoble
(Intl Winter Sports Equipment Show)
 Salon du Livre (Book Show) Paris
 Salon Intl des Industries de la Fourrure Paris
 (Intl Fur Industries Exhibition)
- Mar & Oct **Première Vision, Tissus, Création** Paris
- May **PARITEX** Paris
(Furnishing Textiles and Wall Coverings)
- September **Semaine Internationale du Cuir** Paris
(Intl Leather Week)
 SISEL-SPORTS Paris
 Salon International de la Pêche Nantes
(Intl Fishing Exhibition)
 QUOJEM (Intl Hardware, Tools Show) Paris
 SISEL VERT (Garden Furniture) Paris
- December **Salon Nautique International (Intl Boat Show)** Paris

Magazines:

- **Boutiques de France**, 16, bd Saint-Denis, 75010 Paris
- **Sport-Eco**, 28, rue des Petites-Ecuries, 75010 Paris
- **Neptune-Yachting**, 6, rue Ancelle, 92200 Neuilly
- **Loisirs-Service**, 15, rue du Louvre, 75001 Paris



Defence and Aerospace

IMPORTANCE OF THE SECTOR

In spite of pressure due to the current important slowdown in activity, this industry remains one of the largest in the Western world. The sector is characterized by its concentration (the 10 largest companies generate \$20 billion, 75% of the industry's sales), and its specialization (the aeronautics and electronics industries produce 54% and 26% respectively of Defence sales). It is important to note that military and civilian activity are closely related, particularly in the aerospace and electronics industry.

The sector is heavily oriented toward exports (more than 60% in the case of aeronautics), and the French government is often involved, either directly through the General Delegation for Armament (Délégation Générale pour l'Armement-DGA), or through the participation of state companies (Aérospatiale, Snecma, Thomson, etc.).

The French government's decision to reduce its level of military spending has, and will continue to have, an impact on the considerable decrease of this industry's activity. Faced with this situation, and a worldwide decrease in military activity, the industry is forced to adjust and rationalize its operations. Orders for the coming years will decrease by up to 50%, which is a source of great concern.

BUDGET AND MILITARY PROGRAMME LAWS

Until very recently, France operated a 5-year budgetary system called Military Programme Laws (Lois de Programmation Militaire-LPM) which allocate the budget for military equipment purchases only. The enforcement period for this Law will be reduced to three years in 1993, which will seriously affect the industry's planning and programming system. This new transitional law (scheduled to be adopted in mid-June 1992) foresees a zero growth of expenditures for military equipment in constant francs (102,9 billion FF in 1992). As a result, expenditures for equipment will be lower than expected, and many programmes will be postponed, or cut back (e.g. light armoured vehicles, Leclerc tank, Tiger helicopter for ground support and anti-tank operations, third generation anti-tank missiles, Rafale airplane).

TRADE WITH CANADA

Industrial and commercial relations between France and Canada in the defence and aerospace industry have expanded substantially over the past five years. Since late 1987, Canada has signed a contract with France and Germany for the tripartite construction of a reconnaissance drone aircraft (CL-289). For its part, France's Sécurité Civile has placed an order with Connair for close to \$50 million in fire-fighting aeronautic equipment (turbo-engines for Trackers, purchase of F27, etc.). It has also signed a contract with Canadair to purchase 12 amphibian airplanes (CL-415) for \$300 million. On the Canadian side, the Ministry of Defence also signed an industrialization contract in 1992, as the first stage of the purchase programme of military equipment (Engin Eryx) for \$100 million. This purchase is conditional on generating an industrial

and regional impact in an amount equal to the transaction. In the framework of this contract, companies such as Bendix Avelex, Cell Pack, Canadian Marconi, Hughes Aircraft of Canada, and others have already been selected as suppliers with export contracts associating them with Aérospatiale for an unlimited time period.

With regard to aeronautics, in 1988, Air Canada and Canadair placed an order for more than 60 Airbus models, worth over \$3 billion, while Canadair signed a partnership agreement with Aérospatiale for the production of parts for the A-330 and A-340 models (an estimated value of \$2 billion). Messier-Bugatti, in partnership with Menasco of Toronto, has received a contract to partly supply the landing gear for the Airbus A-320 and A-340, as well as for the new Boeing 777.

In the space sector, Spar and Comdev have obtained contracts worth \$15 million and \$7 million respectively with Alcatel Espace to supply systems for Telecom 2, a telecommunications satellite. With regard to projects currently being negotiated, a Canadair service centre will be established in France for the Challenger, the Regional Jet (RJ) and the CL-415.

COOPERATION: HOW TO ENTER THIS MARKET

Due to the weakness of the traditional French markets, both domestic and international, and the ever-increasing costs of major civilian and military programmes, French companies are now searching actively for joint partnerships. This is particularly true within the European Community, where numerous civilian and military projects are being undertaken and negotiated. In the defence market, the General Delegation for Armament is the government body responsible for identifying French equipment requirements and making purchases for the French armed forces. Several Canadian companies have already signed supply contracts with this organization. Both the private and the public procurement process is very complex, and precise rules must be followed by anyone interested in this market. A detailed study of the procedure and its regulations is currently underway and should be available at the Embassy toward the end of 1992.

In addition to the requirement for a product with distinctive comparative advantages (i.e. new technology, superior quality, competitive price), continual and personal contact is essential to succeed in France. For this reason, substantial financial resources are generally required and interested companies must be prepared to devote the necessary time. As France already produces and exports highly sophisticated products and equipment, its foremost interest abroad is to identify high technology products or services. Penetrating the French market often requires a foreign company to associate itself with local suppliers through exchange agreements, joint development, co-manufacturing, or other forms of strategic alliances.

ADDITIONAL SOURCES OF INFORMATION

Two useful guides:

- 1) "Guide pratique des Fournisseurs de la DGA"
To order, contact Groupe GIP Union (Approximate Price: \$300)

2) "Bulletin des marchés de la Délégation Générale pour l'Armement"
GIP Union, Département Mission Défense

5-7, place d'Alleray

75015 Paris

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This document outlines purchase possibilities, tender calls, and consultations in progress.

Useful Addresses:

Ministère de la Défense

Direction Générale de l'Armement (DGA)

10, rue Saint-Dominique

75997 Paris Armées Cedex 07

Tel: (33-1) 45.55.95.20

**Groupement des Industries Françaises Aéronautiques
(GIFAS)**

4, rue Galilée

75782 Paris Cedex 16

Tel: (33-1) 47.23.55.56

Magazines:

Air et Cosmos, 6, rue Anatole de la Forge, 75017 Paris

Aviation International, 15-17, quai de l'Oise, 75019 Paris

Trade Fairs:

Salon Naval

Paris - Le Bourget, October 11-24, 1992

Salon International de l'Aéronautique et de l'Espace (PIAS 91)

Paris Air Show (biennial)

Paris - Le Bourget, June 11-20, 1993



Electric and Electronic Industry

IMPORTANCE OF THE SECTOR

In 1990, the overall volume of the Electric and Electronic Industry reached \$63 billion, a decrease from previous years. This sector is composed of a widely diversified range of products:

- Equipment (generators, turbines, transformers, cables, electronic signal and security products) represent approximately 80% of sales;
- Intermediate goods (batteries, active and passive electronic components), and Consumer goods represent approximately 10% each.

One of the characteristics of this sector is the large number of companies: more than 1,500 with a work-force totalling almost 400,000. Nevertheless, 65% of this industry's sales are accounted for by 38 major firms, of which the most important are:

	Annual Sales	Employees
	(\$ Mds)	(Thousands)
Alcatel Alsthom	31	210
of which: Gec-Alsthom	6	42
Thomson-CEA	18	100
of which: Thomson-CSF	7	40
Groupe Schneider	12	75

Source: Annual Reports, 1991

With a global market presence, the Electric and Electronic Industry has increased its exports by 4.6% in 1990, reaching \$31 billion. Imports originate in Germany (35%), the United States (10%), and Japan (6%).

Trade with Canada

Trade with Canada in 1990 included exports totalling \$213 million, and imports of \$129 million. These imports involved mainly printed circuits, integrated circuits, and miscellaneous signal and security products.

MAJOR SECTORS

Electronic industry

In 1991, industry sales were \$39,5 billion, down 1.7% from 1990. Semi-conductors and passive components were the hardest hit, whereas telecommunications showed a small increase of 4.5%.

With exports of \$19,2 billion and imports of \$22,8 billion, the rate of coverage of external trade was maintained at 84%, but the balance of trade remains negative at \$3,6 billion. The deficit is particularly marked with Japan and the four "little" dragons of South-East Asia, where sales of French products represent only 5% of these countries' total purchases. French trade with the United States is being affected by the depreciation of the dollar. In contrast, France's competitiveness in Europe is improving as sales to Germany and Great Britain are progressing faster than purchases.

The distribution market for electronic components which is worth some \$6,4 billion, is expected to lose 10% in 1992, with stagnation of the sub-contracting business.

Electrical building materials

Set back by the continued recession in the domestic market, the electrical building materials industry has been saved by an export boom, even though its sales have been stagnating at \$9,1 billion in 1991. With sales abroad of \$5,6 billion, including 50% within the EEC, this industry's companies have exported over 60% of their production in 1991. As imports remained unchanged, the trade surplus for the industry skyrocketed to \$2,6 billion (+25%).

As the result of their efforts at competitiveness, businessmen went abroad to fill orders which were lacking at home.

OUTLOOK FOR 1993

It should be noted that five European companies are included among the world's top ten leaders in electrical equipment, while there are only two in electronic equipment.

Although European manufacturing remains very fragmented and national suppliers are unable to benefit from the increased size of a single market, it is clear that some structural change has occurred: increased cooperation for the intelligent development of submicron CMOS between SGS-Thomson and Philips Composants; consolidation in distribution of electrical supplies through the new partnership of CDME-Groupelec; reorganization of Schneider into a multinational focussed on electrical distribution equipment and industrial automation, through the purchase of Federal Pioneer of Canada and Square D of the U.S.

In addition, European Community regulations will require the opening of national electrical energy production to European suppliers of electrical equipment through mandatory public tenders. Electricity will now become, as in the United States, an ordinary commodity, leading to a fundamental restructuring of the market based on ATR, a new concept meaning 'network access to third parties'. These planned guidelines are raising a lot of controversy from the governments and businesses

concerned, who prefer a gradual integration of electricity suppliers making them co-suppliers, co-transporters, or co-distributors of electrical power.

EDF (Electricité de France) which purchases annually \$8 billion in supplies, could open its markets for ordinary equipment, of equal quality. However, purchases of heavy and specific equipment, especially that subjected to security requirements, would require a long period for approval and evaluation.

The two rival firms in distribution, Sonepar (\$4,2 billion, Scaib and Almex brands) and CDME (\$3,6 billion - distributors of electrical and electronic supplies) will be experiencing a pause in their foreign growth. The latter company, however, is not considering disposing of Guillevin, its Canadian subsidiary, whose sales recently decreased by 12%.

Arrow and Avnet, the American giants, are pursuing their investment drive in Europe with the acquisition by Avnet of FHTEC in France.

ADDITIONAL SOURCES OF INFORMATION

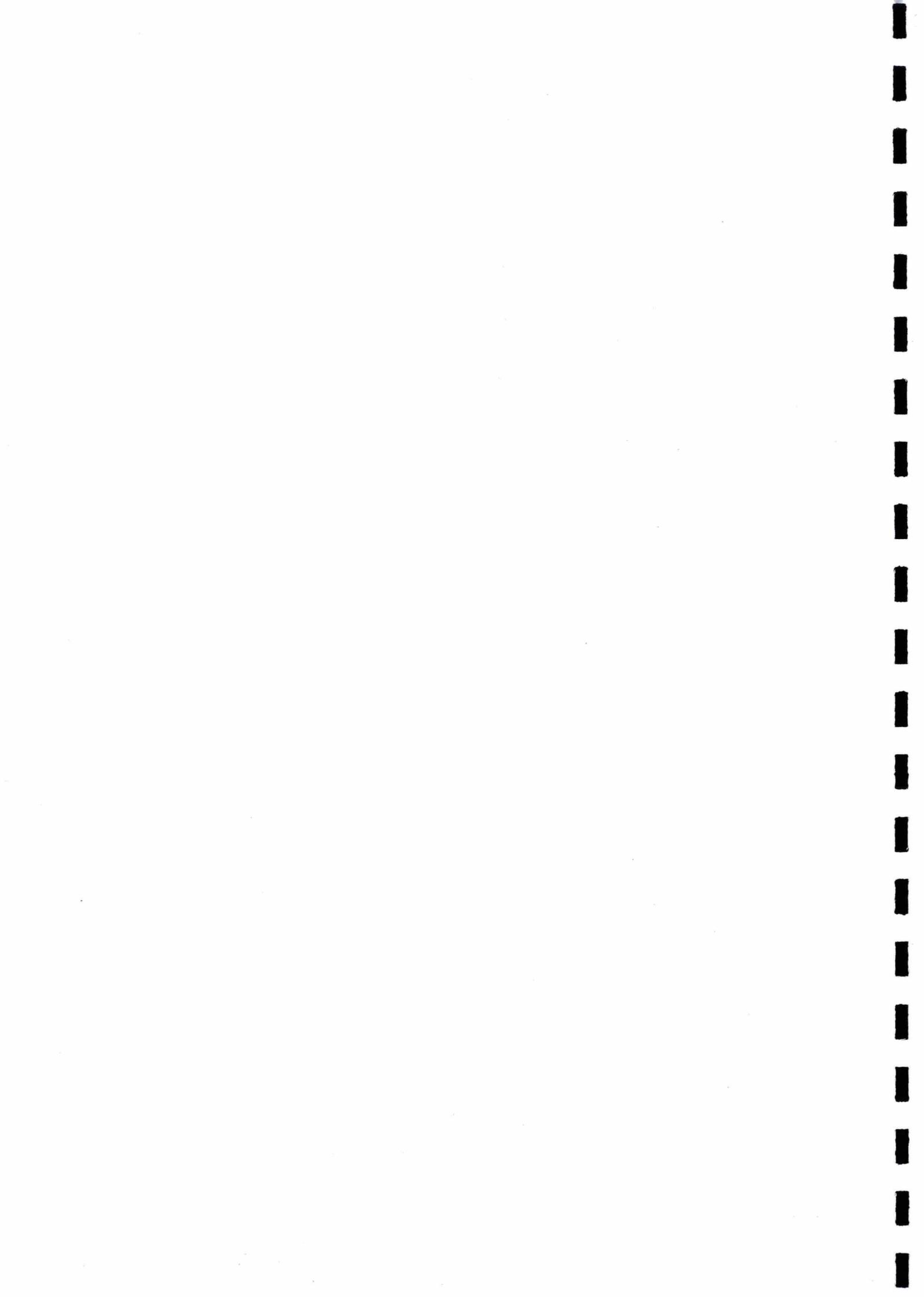
Useful address:

Fédération des Industries Electriques et Electroniques (FIEE)
Groupement des Industries Electroniques (GIEL)
11, rue Hamelin
75783 Paris Cedex 16
Tel: (33-1) 45.05.70.70

Trade Fairs:

COMPONIC/MESUCARA
Paris, 30 November-4 December, 1992

ELEC
Paris, November 1993



Environment

IMPORTANCE OF THE SECTOR

The environmental market in France offers considerable potential for expansion. The growth of expenditures in this sector is likely to stimulate demand for products and services. National spending for the environment in France was over 77,9 billion FF (\$15,6 billion) in 1991. "Domestic environment production" which can be defined as all activities carried out in the environmental area (water, air, noise, waste, ecology, recycling, insulation, etc.) accounted for 111,4 billion FF (\$22,3 billion) in 1991, 1.7% of GDP. The percentage of companies forecasting investments aimed principally at environmental protection continues to increase: from 13% in 1989 to 19% in 1991.

ENVIRONMENT: A GOVERNMENT PRIORITY

This priority is reflected in the budget of the Ministry of the Environment which was increased by 14.8% in 1992 from 1991, to a total of 1,459 million FF (\$291 million). This spectacular jump demonstrates, for the third consecutive year, the government's commitment to the environment, as budget doubled from 1989 to 1992. Included in the policy are the fundamental programs such as protection of natural sites, water supply management and prevention of major risks.

The creation in 1990 of a National Plan for the Environment which outlined the government's policy for the next 10 years is an indication of the scope of the efforts in this area. One of the main objectives in the Plan is to reinforce international cooperation against types of pollution which can only be combatted on a worldwide scale, such as to stabilize the level of carbon dioxide emissions, and to eliminate the use of products which destroy the ozone layer. Finally, the Plan strongly advocates increased application of the "polluter fee principle" for wastes.

COOPERATION BETWEEN FRANCE AND CANADA

In 1991, Canada and France signed a memorandum of understanding for the purpose of increasing scientific cooperation between the two countries in the environmental area. This accord foresees the promotion of scientific and technical cooperation, notably in the following areas: management of major rivers and lakes, aquatic contamination, remote sensing, treatment of domestic and industrial waste water, management of wastes and contaminated soils, and meteorology. This accord calls for the exchange of personnel and scientific and technical information in a range of areas, including: policies and regulations, research, surveillance, training and communications.

In the industrial and commercial field, it is worth noting that a large Canadian delegation representing 40 companies participated in the French conference Pollutec to display Canadian environmental technologies in France, and that an agreement exists

between the French company Locusta and Reynel for the manufacture of desiccated mud pumps. With the success of the Pollutec trade fair, Canadian companies are planning to return to Lyons in November 1992 with a Canadian stand. A seminar on the environment industry in Canada is being planned for the participants at the trade show.

MARKET POTENTIAL

Canada has an excellent reputation in the French environmental sector and our companies could certainly take advantage of the opportunities available. Recycling activities and waste processing appear to be the most dynamic sectors in France. Beginning in 1993, France will operate a system to finance the collection and recycling of packaging materials. Eco-emballage, a company now being created, will buy from local groups all the collected packaging materials and channel these to the appropriate recycling operations. The market for incineration equipment is experiencing solid growth as a result of stricter standards on air pollution, representing a total of 1,938 million FF (\$388 million) in 1991, up 10% from 1990.

With regard to the recycling of cellulose fibre, used glass and plastics, the growth in processing by tonnage was 2.5%, 8% and 10% respectively in 1991. In the area of water supply and sewage treatment, France's medium term needs are substantial. There is often an urgent need to upgrade systems, thus offering good business development prospects. It is only in the area of air pollution reduction (installation of aircleaning equipment and filters) that business is clearly stagnating.

PROSPECTS FOR CANADIAN COMPANIES

Canada has acquired a good reputation in the area of environmental technologies and practices (e.g., treatment of industrial wastes, rehabilitation of polluted sites), and

there are good prospects for entering this market. As the source of demand is often the public sector where procurement procedures are very complex, it is generally desirable for a foreign company to plan for a local relationship by putting emphasis on strategic alliances of various forms (joint venture, exchange agreements, technology exchanges, licences, co-production, etc.).

It is also important to remember that France is a world leader in certain environmental areas (e.g. water and waste treatment), and that its expertise is recognized in pollution control equipment and various measuring devices. In addition, a number of very large and experienced multinational firms exist in France which often control whole segments of the market. The merger in August 1990 between Société Lyonnaise des Eaux and Société Dumez, gave birth to a new international concern servicing the environment, urban development and quality of life. Sales of Lyonnaise des Eaux-Dumez for 1991 amounted to 3,3 billion FF (\$660 million), up 17%. Given this situation, Canadian companies should be prepared to invest substantial financial and personnel resources, and time, if they intend to enter the French market.

ADDITIONAL SOURCES OF INFORMATION

Useful Address:

Ministère de l'Environnement
45, avenue Geroges Mandel
75016 Paris
Tel: (33-1) 45.49.61.62

Trade Fairs:

POLLUTEC, Lyon
November 3-6, 1992
Organizers: TECHNOEXPO
8, rue de la Michodière
75002 Paris
Tel: (33-1) 47.42.92.56
Fax: (33-1) 42.66.14.28

ECO-RECYCLAGE
October 13-16, 1992
Organizers: ALPEXPO
B.P. 788
38034 Grenoble Cedex
Tel: (33-1) 76.39.66.00



Fish Products

IMPORTANCE OF THE SECTOR

In 1990, the 56,5 million people of France consumed 1,327,000 tonnes of fish products. Data from 1987 indicated per capita consumption of 15 kilograms of fresh fish, shellfish and crustaceans, 3,5 kilograms of frozen fish and crustaceans, and 3,3 kilograms of processed fish and crustaceans. In comparison, the annual consumption of fish products in North America is only about 7 kilograms per capita. In 1990, total French fish production was 805,400 tonnes (including algae, mussels and oysters). The farming of mussels, oysters and trout is well developed.

FOREIGN TRADE

Domestic production is not sufficient to cover the needs of the French market. Imports and exports are constantly increasing. The volume of imports is growing by about 6% each year.

There is strong demand for white fish, particularly cod, and for flat fish and shellfish. Demand is also increasing for products that are rare or unavailable in France, a trend which adds to the trade deficit.

With 15,4 billion francs (\$3,4 billion) in imports as compared with exports of only 5,2 billion francs (\$1,2 billion), the deficit in foreign trade of fish products in 1990 was 10,2 billion francs (\$2,3 billion).

France is Canada's second most important customer in Europe after Portugal, but from the French perspective, Canada ranks only eighth after the United Kingdom, Norway, Denmark, the Netherlands, Senegal, the USA, and Germany. Canada supplied 3% of France's imports of fish products in 1990.

Canada is in a less favourable position than these countries vis-à-vis import tariffs and transportation costs. Trade within the EEC is tariff-free and tariffs are often reduced for the nations of Africa and for Norway, Greenland, the Faroe Islands and Iceland.

MARKET TRENDS

Canadian exports to France can be divided into three groupings:

1) *LOBSTER*

French consumption of lobster and crayfish is particularly strong during the traditional New Year's celebrations. This is a growing market where Canadian participation could increase and where proposed product diversification would be welcomed.

Market for live lobster in 1991, in tonnes:

French Catch:	300
Imports	3,910
Total Market:	4,210
Canadian share (36%)	1,530

Market for whole, frozen lobster in 1991, in tonnes:

Imports (no French production):	2,540
Canadian share (98%)	2,487

Import tariffs on live and whole, frozen lobster are 8%.

2) *SALMON*

French consumption of salmon in all forms is increasing steadily. Canadian salmon has traditionally entered the market as smoked salmon. The French market for smoked salmon is on the order of 12,000 tonnes, of which some 2,316 tonnes are imported. The balance is smoked in France and corresponds to about 15,000 tonnes of imported unsmoked salmon. Canadian salmon has gradually been replaced by fresh Norwegian salmon. As a result, Canadian supplies of smoked salmon currently supply only an estimated 10% to 20% of the French smoked salmon market.

Market for Salmon Products in 1991, in tonnes:

French Production	2,000
Imports of Fresh Salmon	45,579
Canadian share	0
Imports of Frozen Salmon	32,339
Canadian share (9.5%)	2,399
Imports Smoked Salmon	2,316
Canadian share (0.3%)	0,5
Imports of Processed Salmon	2,436
Canadian share (2.2%)	90
Total	84,670

Import tariffs for frozen salmon are 2%.

3) *OTHER PRODUCTS*

The most important other products are: frozen crab meat, frozen shrimp, frozen scallops, frozen freshwater fish, frozen cod, and other frozen saltwater fish.

DISTRIBUTION NETWORK

The food distribution system has changed significantly in recent years. In addition to the traditional specialized fish stores selling essentially fresh fish (which are in decline), the "large distribution" (supermarket chains) now play a leading role in food sales generally (51% of sales in superstores [$> 2,500 \text{ m}^2$] and supermarkets [400 - 2,500 m^2]) as well as fresh and frozen fish products.

Canadian companies can elect to market their products in three ways: sales to a supplier sometimes known as an importer, sales through an agent, or direct sales to producers or central purchasing centers.

Suppliers are companies which negotiate purchases of merchandise for resale to consumers, central purchasers or independent supermarkets. Agents act as suppliers but work on commission or for payment fixed in advance. Producers are primarily interested in supplying the French or European market. They could be direct buyers or purchase from suppliers or agents.

Central purchasing centers developed with the growth of large-volume distribution and specialty stores (frozen food centers, diet stores). However, they have a small role in relation to supplying restaurant chains which are to date not well developed in the fish product sector.

Packaged fish products, such as frozen salmon and frozen lobster sticks ("popsicles"), and live lobster for consumption at the end of the year, are often sold directly or through a single intermediary involved in importation. Negotiating with the powerful central purchasing centers is always difficult. Caution is advised.

RECOMMENDATIONS TO EXPORTERS

In the case of frozen products, goods must be accompanied by a health certificate, include the date of freezing and a "best before date". The labelling of products at the retail level is subject to very strict regulations which differ from Canadian practices. Exporters must comply with them. Use of the metric system is mandatory.

Specific regulations apply to scallops, imported live shellfish and sea-urchins, minced fish meat and surimi, prepared meals and processed fish generally.

Success in selling to France, particularly to the supermarkets and superstores, generally requires both a presence in the large food shows (SIAL and ANUGA) and frequent visits to buyers and distributors.

In addition to the favourable prospects for those species already mentioned (except salmon), the further development of Canadian exports is likely to be based upon the production of species which have limited market demand in Canada but are appreciated in France (monkfish, dogfish, skate).

ADDITIONAL SOURCES OF INFORMATION

Useful Addresses:

Ministère de l'Agriculture
Service Vétérinaire d'Hygiène Alimentaire
Bureau des Produits de la Pêche
175, rue du Chevaleret
75013 Paris
Tel.: (33-1) 49.55.49.55

Ministère de l'Economie, des Finances et du Budget
Direction Générale de la Concurrence, de la Consommation et de la
Répression des Fraudes (D.G.C.C.R.F.)
Service Produits Agricoles et Alimentaires
Carré Diderot
3-5, boulevard Diderot
75572 Paris Cedx 12
Tel: (33-1) 44.87.17.17

Secrétaire d'Etat à la Mer
Direction des Pêches Maritimes et des Cultures Marines
3, place de Fontenoy
75700 Paris
Tel.: (33-1) 42.73.55.05

Trade Fair:

SIAL
International Food Show/Salon International de l'Alimentation)
Paris Nord-Villepinte, in October of even years (1992)

Forest Products

IMPORTANCE OF THE SECTOR

France has the largest forested territory in the EEC, i.e. 14 million hectares, only half of which is actually log productive. Forests are very fragmented, with three quarters being privately held by approximately 3,6 millions owners. Annual harvesting amounts to 33 million m³, two thirds for lumber and one third for industrial purposes. In 1989, lumber production reached 23 million m³ of round wood, including 13 million m³ in softwood and 10 million m³ in hardwood.

The entire forest industry (including furniture) known as the "The Wood Channel" employs about 470,000 people in some 85,000 companies.

In spite of these large forest resources, this industry represents an important deficit in France's trade balance. Although efforts have been made by successive governments over the past fifteen years to improve productivity, the deficit is steadily increasing, reaching close to 24 billion FF in 1990, of which 34% for the furniture industry alone; 24% for pulp, 28% for paper and board, and only 11% for lumber and wood products.

FOREIGN PRESENCE

In order to meet the needs of its large industrial sector which is important for the country's general economy, France has to import approximately 45% of its pulp, paper and board, and 25% of its requirements in lumber, softwood and tropical. Its trade balance is positive only for certain products, e.g. pulpwood, railway ties, fibreboard, flooring, hardwood lumber and logs.

Traditionally, Scandinavian countries dominate the market providing 30% of French imports of pulp, 35% of paper and board (54% of newsprint), 50% of softwood lumber. A significant part in imports of pulp and softwood originates in the former Soviet Union.

The paper industry in France has been subjected to numerous foreign investments and ownership participations. Some of the major operations include Feldmuhle (Germany) with Beghin Papier LWC; NSI (Norway) newsprint; UPM (Finland) with Stracel newsprint; Scott Paper (USA) tissues; James River (USA) with Kaysersberg tissues; International Paper (USA) with Aussedat-Rey printing and writing paper; and the Canadian group Cascades.

CANADIAN PRESENCE AND POTENTIAL

After a sharp decrease from 1982 to 1985 due to the strength of the dollar relative to European and Scandinavian currencies, Canadian exports of forest products to France have shown a regular increase since 1986. In 1991, Canada represented 17% of French pulp imports, 15% of softwood lumber, and 22% of newsprint. In 1991, Canada's sales of forest products totalled \$347 million, a very slight increase from the previous year, and made up 26% of our total exports to France. While Canada's pulp exports decreased in value by 18% and those of softwood lumber fell by 32%, sales of newsprint doubled in 1991. Major results are as follows:

Pulp		\$ 156 million
Wood Products		\$ 70 "
of which	softwood lumber	(\$ 52 ")
	hardwood lumber	(\$ 7 ")
	plywood	(\$ 4 ")
Paper and board		\$ 121 "
of which	newsprint	(\$104 ")

Unfortunately, the outlook for 1992 is less favourable, particularly in the wood sector, as a result of diminished construction and furniture making, and uncertainties associated with the new European phytosanitary regulations relative to softwood lumber.

REGULATIONS - EEC

Canadian pulp and unprocessed softwood lumber are exempted from duty. Newsprint and softwood plywood enter duty-free, but only within the limits of EEC quotas. As of 1990, national quota allocations were abolished and replaced by one global EEC quota.

On the other hand, phytosanitary regulations require that imports of certain hardwood lumber (e.g. oak, elm and poplar) be certified by Agriculture Canada. With regard to the softwood lumber, regulations now being revised will require that, as of November 1, 1992, lumber must be pasteurized to avoid introducing the Pinewood nematode.

MARKETING

Basic forestry products, pulp, and lumber are imported through specialized agents who contract with importers or large users. The other products are marketed through distributors covering the whole country.

OUTLOOK FOR 1993

An improvement in the construction industry should result in increased demand for wood. Several factors might modify sources of supply: lower exports from Russia and other East European countries already commenced in 1992; diminished availability of exotic lumber, particularly from South-East Asia; regulations against plant disease for non European softwood which should lead exporters to turn to products with higher added-value.

In the paper business, the market will continue to depend on the Scandinavian competition, currency fluctuation, and the general economic situation.

ADDITIONAL SOURCES OF INFORMATION

Useful addresses:

- **Fédération Française du Commerce du Bois**
8, rue du Colonel Moll
75017 Paris
Tel: (33-1) 43.80.37.55
- **Centre Technique du Bois et de l'Ameublement**
10, avenue de Saint-Mandé
75012 Paris
Tel: (33-1) 40.19.49.19
- **COPACEL (Confédération Française de l'Industrie des Papiers, Cartons et Cellulose)**
154, boulevard Haussmann
75008 Paris
Tel: (33-1) 45.62.87.07

Magazines:

- Le Bois National, 3 rue Claude Odde, 42000 St-Etienne
- Papier, Carton, Cellulose, 96 rue Montmartre, 75002 Paris
- La Papeterie, 21 rue d'Hauteville, 75010 Paris

Trade Fairs:

- EUROBOIS, Lyon, Avril 1993
- BATIMAT, Paris, November 9-14, 1993



Mechanical Engineering Industries

IMPORTANCE OF THE INDUSTRY

The euphoria of the 1988-1990 period with its annual 6% growth in volume is definitely over. For this industry in France, 1991 saw a harsh reversal, with a drop in volume of 4.5%. The decrease was 2% in value, with sales of 317 billion FF (\$64,3 billion).

In addition, this sector was directly hit by the halt in industrial investment, thus losing 13,000 jobs last year, for a total work force of 532,000. The major difficulties are due to the slowdown of the domestic market, down 7%, and the outlook for 1992 remains grim.

The mechanical engineering market is composed of the following segments: metal works (42%), industrial equipment (28%), precision equipment (10%), handling and construction equipment (9%), machine tools (6%), and farm equipment (5%).

Equipment manufacturing and metal works are the two principal sectors suffering from the recession, but manufacturers of public works, textile and printing, and farm equipment, and sub-contracting have all had a particularly bad year. However, the precision equipment industry managed to stay out of trouble, gaining close to 4%. Equipment for oil and gas has also experienced a relative recovery, and the tunnelling sector is fully booming.

The mechanical engineering industry is represented on the Stock Market by the following companies: Alstom, CMB Packaging, Legris, Essilor, Strafor Facom, Dynaction, Jeumont Industrie, Merlin Gerin.

The machine tool sector, composed of small and medium businesses (PMI), and generating total sales of close to 70 million FF (\$14 million) with a total workforce of less than 10,000 workers, has seen its production decrease by 15% in 1991. Despite apparent purchases worth 12 billion FF (\$2,4 billion - 6th largest in the world), domestic production is valued only at 8 billion FF (\$1,7 billion).

This industry has nevertheless weathered the recession better than the competition, due to its restructuring over the past several years, from which European size companies have emerged. This race for competitive size was won by the Brisard group which now earns half of its sales of 3 billion FF (\$600 million) in machine tools. In the area of special equipment where the big names are Citroen Industrie, Renault Automation and Polymatic, partnerships of manufacturers are multiplying.

FOREIGN TRADE AND INDUSTRIAL INVESTMENTS

The increased competitiveness of a large proportion of the 7,000 companies active in this industry generated a rise in exports of 2% to 144 billion FF (\$29 billion) in 1991. As imports amounted to 155 billion FF (\$31,4 billion), the trade deficit was brought down to less than 11 billion FF, with a rate of coverage of 93%. In addition, it is important to know that industrial subsidiaries of American, Japanese, and German multinationals currently account for 20% of sales, 25% of capital, and 30% of export sales.

In the area of public works and handling-lifting equipment, the French companies Legris, Fayat and Manitou are at even keel with giants such as Caterpillar or Case IH (Tenneco Group). Legris Industries has bought Century II, an American company specializing in lifting equipment. Lovat Tunnel Equipment of Ontario will supply two tunnel drills to Campenon Bernard/GTM, the local company in charge of excavating for a new Paris metro and rapid transit line.

Finally, the difficult machine tools sector, where exports represent approximately 40% of total sales, has also regressed by 14.5% in 1991. In this industry, France is one seventh the size of Germany, and one third the size of Italy. Cooperation between France and Canada in this field is limited: Renault Automation with Valiant Machine & Tool for transfer lines, and Henri Line Machine Outil Ltee, a company of French origin, for gantry milling machines.

ADDITIONAL SOURCES OF INFORMATION

Useful addresses:

Fédération des Industries Mécaniques - FIM

Maison de la Mécanique
45, rue Louis Blanc
92400 Courbevoie
Tel: (33-1) 47.17.60.00

Syndicat de la Machine-Outil, de l'Assemblage et de la Productique Associée - SYMAP

Défense 1 - Cedex 72
92038 Paris La Défense
Tel: (33-1) 47.17.67.17

Centre Technique des Industries Mécaniques - CETIM

52, Avenue Felix-Louat
60304 Senlis Cedex
Tel: (33-1) 44.58.32.66

Trade Fair:

- PRODUCTIQUE,
Paris, Novembre 1993

Medical Equipment

IMPORTANCE OF THE SECTOR

In 1991, the French medical equipment market was estimated to be 17,4 billion francs (\$3,5 billion). Sales reached 11,6 billion francs (\$2,3 billion). Except for laboratory equipment, these figures represent the complete medical equipment market. In 1991, medical consumerism (total medical goods and services) represented 16% (540 billion francs (\$109 billion) of total household consumption, an increase from 9.5% in 1970. In 1991, France counted 3,756 hospitals. Public and private institutions totalled respectively 1,065 and 2,691. There were 566,000 beds in public hospitals, employing 13,900 doctors and 860,000 staff, and servicing 12 million patients.

The French bio-medical industry is comprised of approximately 350 companies with a workforce of close to 20,000. The structure can be categorized in the following way:

- there are no more French constructors of heavy medical equipment since Thomson sold CGR shares to General Electric. The scanners market is detained by General Electric CGR, Siemens, Philips and Elscint;

- subsidiary companies such as: Alm and Taema (Air Liquide), Ela Medical, and Porgès (Synthelabo);

- small businesses: 90% of companies realize less than 100 million francs (\$22 million) turnover. These companies generally have an average of 80 employees and many are family firms.

From a geographical point of view, the establishment of the bio-medical industry is mainly concentrated around Paris and to a lesser degree in the Rhône-Alpes and South West regions.

Snitem (Syndicat National de l'Industrie des Technologies Médicales--National Union for Medical Technology Industry), which resulted from the merger of two unions, Facomed (Medico-Surgical) and Semrad (Radiology), now represents 80% of medical manufacturers.

FOREIGN TRADE

French customs statistics reveal that total exports reached 7 billion francs (\$1,4 billion) in 1991, while imports totalled 8,7 billion francs (\$1,8 billion). Consequently, the commercial trade balance deficit amounted to 1,7 billion francs (\$400 million) in 1991. The majority of imports come from the United States, Germany and Japan.

Depending on the respective products, imports were supplied by the following different countries:

- the United States represented 45% of electrocardiogram imports;
- 35% of the ultrasound diagnostic equipment came from Japan, which also supplies most French needs in endoscopic instruments (69 million francs) (\$15 million) worth of an expenditure of 78 million francs (\$17 million) in this sector;
- whereas Japanese and American exports specialize in diagnosis/analysis equipment, European imports are concentrated in medical treatment instruments, and simulators.

Trade with Canada

In 1991, Canada imported 56,4 million francs (\$11,4 million) from France, and its total exports to the entire EEC do not exceed 180 million francs (\$36,4 million) of which 6 million francs (\$1,2 million) to France, foreign trade between Canada and France. This reflects the small scale of French importation of Canadian goods.

French manufacturers are absent from certain promising gaps in the market (in medical equipment). Therefore, there are possibilities for developing new medical techniques that could obtain relatively easy access to markets.

ADDITIONAL SOURCES OF INFORMATION

Useful address:

SNITEM
(Syndicat National de l'Industrie des Technologies Médicales)
39-41, rue Louis Blanc
92400 Courbevoie Cedex 72
Tel: (33-1) 47.17.63.88
Fax: (33-1) 47.17.63.89

Trade Fairs:

HOPITAL EXPO
Paris, December 1992

INTERMEDICA
Paris, March/April 1993

A May 92 study of this sector, including more detailed information is available from the Canadian Embassy in Paris.

Retail Distribution

IMPORTANCE OF THE SECTOR

For the third consecutive year, French distributors have witnessed a slowdown in sales. The growth rate of the retail trade has declined in volume from close to 3% in 1990 to 1.5% in 1991, with a particular impact on small businesses. However, one of the characteristics of French distribution is the very strong presence of superstores (hypermarché) and supermarkets as opposed to traditional retail outlets whose strength lies in neighbourhood access and specialized products.

Superstore and Supermarket Business

As of January 1, 1992, there were 900 superstores and 6 600 supermarkets in France, accounting for annual sales of 368 billion FF (\$74 billion) and 253 billion FF (\$51 billion) respectively. This type of distribution represents 36% of total retail sales, and is currently dominated by acquisitions and merger operations leading to a concentration of brand names at a national, and soon, European level. As an example, the purchase of Euromarché by Carrefour in 1991, increasing that concerns's sales to 100 billion FF, has created havoc among the balance of competition. Their French competitors did not idly stand by, as Casino and Rallye agreed on a merger in May 1992. Under the agreement, Casino acquires ownership of 101 superstores and close to 500 supermarkets, thus increasing its sales by 50%.

Retail Trade

In 1991, there were 388,300 retail outlets with total sales worth 1,719 billion FF (\$344 billion).

PRINCIPAL FORMS OF RETAIL OUTLET

	Surface (M ²)	Number
Traditional store	less than 120	
Superette	120 to 400	5,267
Supermarket	400 to 2,500	6,600
Hypermarché	more than 2,500	900
General Store	"	120
Magasin populaire (non-specialized)	400 to 2,500	538
Franchise (specialized store)	less than 120	

Source: Direction du Commerce Intérieur
Ministère de l'Artisanat, du Commerce et de la Consommation

There are other types of outlets such as **open-air market**, **door-to-door** (0.5 %), **mail order** (2.6% of retail trade), **Minitel** and **TV marketing** (still marginal). There are also the new types of distribution: **commercial centers**, which appeared in the sixties, of which there were 478 in 1987, for a sale surface of 9 million sq. meters; and **factory outlets**, created in 1985. There are about twelve of these outlets, and their sales are still marginal (0.2 %).

CONSTRAINTS TO THE DEVELOPMENT OF COMMERCIAL ENTERPRISES

There are several constraints to the development of commercial enterprises:

1. Controls on concentration to avoid all forms of monopoly. In fact, large stores require Government authorization before opening in a selected area;
2. Sunday shopping subject to the approval of unions;
3. TVA (Value Added Tax): many small retailers consider that the advantage to large distributors in getting the refund on their investments is a hindrance to their own development;
4. The cost of rental space in large cities limits the installation of small or independent merchants.

OPPORTUNITIES OFFERED TO FRENCH COMMERCIAL ENTERPRISES

In the context of 1993, there will be 340 million consumers to attract. France has one of the most effective retail trades in Western Europe. France is better prepared than other countries to meet the competition, but regulations will have to be reduced if French traders are to acquire large commercial sites elsewhere. Intense competition in France has allowed some large firms in this sector to develop a know-how rewarded by penetration in foreign countries such as Spain, Brazil, and the USA.

FOREIGN PRESENCE

Very few foreign companies operate stores in France and their activities are limited to the department stores (e.g.: Mark's & Spencer), discount stores (C & A), direct mail sales, large specialized stores (Ikea), and some specialized shops (food and fashion). On the other hand, some major French distribution companies are financially-controlled by foreign interests with no influence on the trade operations.

CANADIAN PRESENCE AND OPPORTUNITIES

There are no Canadian owned retail or wholesale outlets in France. However, at least one major Canadian distribution firm has established a working relationship with a French counterpart. Many opportunities for technical and commercial cooperation with French groups could still be exploited. Such a relationship would be advantageous since it would allow the partners to benefit mutually from their respective bargaining power

and expertise, without having to maintain a costly infrastructure, and eventually to develop a profitable volume of exchange.

OUTLOOK FOR 1993

Work continues at Brussels on the harmonization of business regulations, particularly with respect to the issues of hours of shopping throughout the EEC, city planning, and relations among retailers in the Community. The national regulations of each country may be applied provided they do not affect trade among the member states.

A regulation providing for the increased use of franchising in the community is under consideration. In France, franchising represents only 6% of retail sales, but this represents 50% of franchising throughout Europe.

ADDITIONAL SOURCES OF INFORMATION

The Commercial and Economic Division of the Canadian Embassy in Paris has recently published an in-depth study of this French sector titled "Retailing in France as of January 1, 1986". The study is available on request together with a directory of major French central buying groups.

Useful addresses:

- **Direction du Commerce Intérieur (Interior Trade Branch)**
Ministère du Commerce
41 Quai Branly
75700 Paris
Tel.: (33-1) 45.50.73.84

- **Conseil National du Commerce (National Retail Council)**
53 avenue Montaigne
75008 Paris
Tel.: (33-1) 42.25.01.25

Trade Fair:

Salon de la Franchise
Paris, March 1993



Telecommunications

IMPORTANCE OF THE SECTOR

Policies of the French Government in the telecommunications sector over the past ten years have had a direct effect on both its market and industry; domestic consumption has tripled, while Alcatel NV has become a world leader in both size and technology. During 1991 and 1992, the restructuring of the industry, guided by the requirements of the EC directives on telecommunications, went into high gear. These changes should result in a more competitive sector, stronger, while more open to imports.

MARKET TRENDS

By the end of 1991, the number of phone lines in France had increased to approximately 28,150,000 - France has the same number of phone lines per 100 people as Canada. 97% of households are equipped with telephones. While the telephone accounts for 70% of the entire telecommunications market, other services are becoming increasingly important, including:

- the **"Minitel" network**, the most widely distributed videotex system in the world, with 5,900,000 terminals installed by the end of 1991. The terminals are provided to households free-of-charge to replace the telephone book. In 1991, 23 million hours of Minitel traffic was generated using this electronic phonebook, and 92 million hours for other videotex applications. (The Embassy has prepared a report on Computer Communications covering Videotex, X.25 packet switching, and Computer Networks.);
- **Transpac**, the world's largest packet-switched public data network, providing transmission network for telecommunications services with 84,000 direct access ports and a monthly traffic of a trillion characters. Plans are afoot to introduce 2 Mbits/s access to Transpac in 1992;
- **broadcast satellites**, higher powered, and covering a smaller area than Canadian satellites thus permitting direct satellite to home transmission with 40-60cm dishes. However, several channels of the principal French broadcast satellite have burnt out, reducing significantly its capacity. VSAT (point-to-point data communication using satellites) usage is very low in Europe compared to North America, due to restrictions on its use. France has begun to liberalize the market before the recommendations of the recently released Green Paper come into force;
- **telex services**, with over 146,000 subscribers at the end of 1991;
- **facsimile services**, with more than 610,000 terminals at the end of 1991 averaging 17 pages daily per machine;

- **cellular telephones**, the French mobile telecom market has reached the stage of rapid growth due to a strong demand for cellular telephones that is not diminished by the fact that the costs of installed phones are still more than \$2,000 plus tax, and the operating costs are higher than in Canada. Coverage of the territory of France is still not complete, but will be so, with a few gaps, by the end of 1992. La Société Française du Radiotéléphone (SFR) competes against France Télécom as a system operator. (The embassy has prepared a report on the mobile communications industry.);

- **paging**, in the radio paging market, two subsidiaries of Cogecom, France Télécom's commercial holding company, offer services: Télécom Systèmes Mobiles and TDF-Radio Services. The former offers the service Eurosignal which enables its 120,000 users to receive audio or visual signals in France, and, through agreements with telephone administrations in other countries, based on the international POCSAG standard, the system may be used in Germany, Italy and Switzerland as well. The latter company offers the Alphapage service to 100,000 customers which provides alphanumeric messages to users;

- **the "Integrated Service Digital Network" (ISDN)**, market under the name Numéris is available throughout the major centres of France with connections to Germany;

- **Cable TV** network providing access to cable to 3,500,000 households, but with only 820,000 subscribers (February 92).

Despite these impressive trends over the long-term, growth in the number of phone lines has levelled off since 1984, with the value of sales increasing only slightly while volumes remain stagnant. This is attributable partly to the saturation of the local market, and partly to the increased competition internationally; current predictions for the world market are a shake-out leaving only five or six companies in the long-term. Still, the French industry as a whole realized sales of \$US 18 billion in 1989 (half to the government). Exports account for approximately 15% of total sales.

KEY PLAYERS

The telecommunications industry is controlled by the Ministry of PTE (Poste, Telecommunication et Espace), which regulates the industry through the Direction de Réglementation Générale (DRG) and the Conseil Supérieur de l'Audiovisuel - the latter concerned primarily with the broadcast and cable industry.

France Télécom, until recently part of the Ministry of PTE, but now a corporation in its own right (although still owned by the government) has a monopoly over the supply of basic telephone and telex services in the country.

Telecommunication industry sales, which include several French companies such as Alcatel, Matra, Jeumont-Schneider, and the Sat increased 4.5% to 25,5 billion francs, (\$5,2 billion) in 1991. This growth is due in large part to the great number of orders placed, at the end of 1990, by France Télécom (45% of industrial sales) before its change in status. In 1991, the exports of French manufacturers grew 19% and represented 20% of total turnover.

In the public telephone market, 80% of equipment is supplied by Alcatel NV and much of the remaining 20% by the Compagnie Générale de Constructions (CGCT). Canada's Northern Telecom, in collaboration with two local partners, received approval from the Government in October 1987 to enter this market. More recently, Northern Telecom has taken a 20% interest in Matra Communication with the possibility of increasing its share in the future.

PRESENCE OF FOREIGN COMPANIES: REGULATIONS AND DEREGULATION

The telecommunications industry is highly protected in almost every country in the world, and France is no exception. While almost all of the major international players are active in the market including ITT, ATT, Siemens, Philips, Ericsson and Northern Telecom, they are all affiliated with French companies.

With the current rewriting of the rules of the game, France Telecom, in addition to taking on a new role as a corporate body, owned by, but operating at arm's length from the state, has had its monopoly limited, and is competing in several areas with private firms. Spurred on by the EC green paper on telecommunications, France has separated the regulatory arm (the DRG) from the service provider (FT), provided new ground rules for private companies to enter the game (provision of value-added services such as data-base access), support services such as private networks and provision of data communications services, and radio-based telecommunications such as cellular phones. Private firms can compete in each of these areas - but their participation is governed by different rules in each case.

Perhaps most important in these changes is that FT now finds that 15% of its income comes from competitive markets - up from basically nothing in 1987. Some Canadian companies have found that this need to compete has opened doors. FT, to strengthen its competitive position is more willing to consider buying clearly superior products regardless of their origin.

STANDARDS AND TYPE APPROVAL

Details on standards published by "L'Association française de normalisation" (Afnor - the French standards organization), U.T.E. (which handles standards associated with connecting equipment to the electricity lines) or the European Telecommunications Standards Institute (ETSI - which issues European-wide telecom standards or NETS which will eventually replace national standards) can be obtained from the Canadian Standards Council. Technical specifications that complement these standards are defined by, and obtainable from the Centre national d'études des télécommunications (CNET).

Any equipment that can be connected to the public telephone network in France, as well as anything using the radio waves, must be type approved by the Direction de la Réglementation Générale, with the actual testing being done by the CNET. Type approval can often be obtained more quickly if the exporter works in close collaboration with a French or EC partner, particularly if the partner is adding significant value to the product.

An EC directive that passed first reading in the fall of 1990, would require that each EC country accept the certification of telephone equipment accorded in any other EC country. This would benefit Canadian companies who find the certification of equipment easier to obtain in the UK or Germany as such certification would enable them to export their product throughout the EC. It should be noted, that the directive has not passed final reading, and it would not, in any case, come into effect until mid or late 1993.

ADDITIONAL SOURCES OF INFORMATION

France Telecom An Insider's Guide

Telephony Books

Box 12401

Overland Park KS

66212 USA

Tel: (312) 922-2435

Fax: (312) 922-1408

**Syndicat des Industries du Téléphone, du Télégraphe et de leurs applications
Télématiques (SI3T)**

64, rue de Monceau

75008 Paris

Tel: (33-1) 45.63.96.44

A study of mobile communications industry is available from the Canadian Embassy in Paris.

Tourism

IMPORTANCE OF THE SECTOR

Economic Impact

In 1990, Tourism in France is an industry valued at about \$87 billion or 8% of Gross National Product. Of this amount, more than \$16 billion is derived from expenditures in France by foreign visitors.

The industry employs 1,600,000 persons or almost 10% of the active population. French households spend some 10% of their disposable income on domestic tourism, a percentage which is increasing.

Strengths and Weaknesses of France's tourism sector

a) *Principal strengths:*

- a world renowned for reputation quality;
- a good network of hotels and restaurants;
- excellent road and rail systems;
- a broad range of natural offerings; and
- a recognized professionalism, particularly by service companies and local initiatives groups.

b) *Primary weaknesses:*

- high prices, particularly for luxury services;
- weak travel agencies; and
- a cool welcome, particularly in Paris.

Export Performance

Despite the fact that its residents are great travellers, France is one of the few highly industrialized countries which has a positive balance of payments in tourism, \$8 billion in 1991. Tourism is in fact one of only a very few trade surplus sectors in France. Receipts are in the order of \$21 billion and outflows total some \$13 billion.

The Demand

According to the Insee (Institut National de la Statistique et des Etudes Economiques), 33 million French people took holidays in 1990, of which 6 million went outside France. It is estimated that 5,9 million French people are interested in taking long-distance trips, i.e. to destinations outside Europe and North Africa.

FOREIGN PRESENCE

Currently, 62 foreign nations have tourism offices or tourism representatives within their Embassies in France. These 62 countries are very active on the French market. Between 1975 and 1985 their investments in publicity spiralled from \$2,5 million to \$13 million.

CANADIAN PRESENCE AND OPPORTUNITIES

The Government of Canada initiated its tourism activities in France in 1966. During the first ten years, the number of French visitors grew regularly from 25,000 in 1966 to 115,000 in 1976. Since 1982, the number resumed its progression, reaching 307,000 in 1991. Nevertheless, these estimated 307,000 visitors still only represent 2% of French travellers who go abroad and 8% of those likely to undertake a trip to distant points. The tourism sector, therefore, still represents an enormous potential market for Canada.

RECENT PERFORMANCE

The estimated 307,000 French travellers who went to Canada in 1991 spent a projected \$190 million, thus creating or preserving 4,500 jobs, and providing the Government of Canada with \$29 million in tax revenues. In the bilateral tourist exchange with France, Canada is in a deficit position. In fact, between 1979 and 1986 our deficit grew from \$52 million to \$160 million. Although data is not yet available, it is projected that this deficit was reduced by about \$30 million to \$82 million in 1991.

DISTRIBUTION

There are in France:

- 1,200 travel agencies and tour companies;
- 3,500 points of sales;
- 43,000 business groups of which 3,500 have more than 500 employees;
- 270 travel writers;
- 6 airline companies of which 3 have scheduled routes; and
- 153 Chambers of Commerce.

OUTLOOK FOR 1993

- Restructuring of the production and distribution sectors in which the French trail the British and the West Germans;
- Airline rights and routes yet to be defined; and
- In the future, a market segmented on the basis of European, rather than national considerations.

ADDITIONAL SOURCES OF INFORMATION

Useful addresses:

Association Française des Professionnels du Tourisme d'Affaires

47bis, rue du Rocher

75008 Paris

Tel: (33-1) 42.93.44.39

Fax: (33-1) 42.94.15.81

SNAV (Syndicat National des Agences de Voyages)

6, rue Villaret-de-Joyeuse

75017 Paris

Tel: (1) 42.07.61.20

Fax: (1) 46.22.33.39

Magazines:

Voyages & Stratégie

13, rue de l'Abbé Groult

75015 Paris

Tel: (33-1) 48.42.06.60

Fax: (33-1) 48.42.30.72

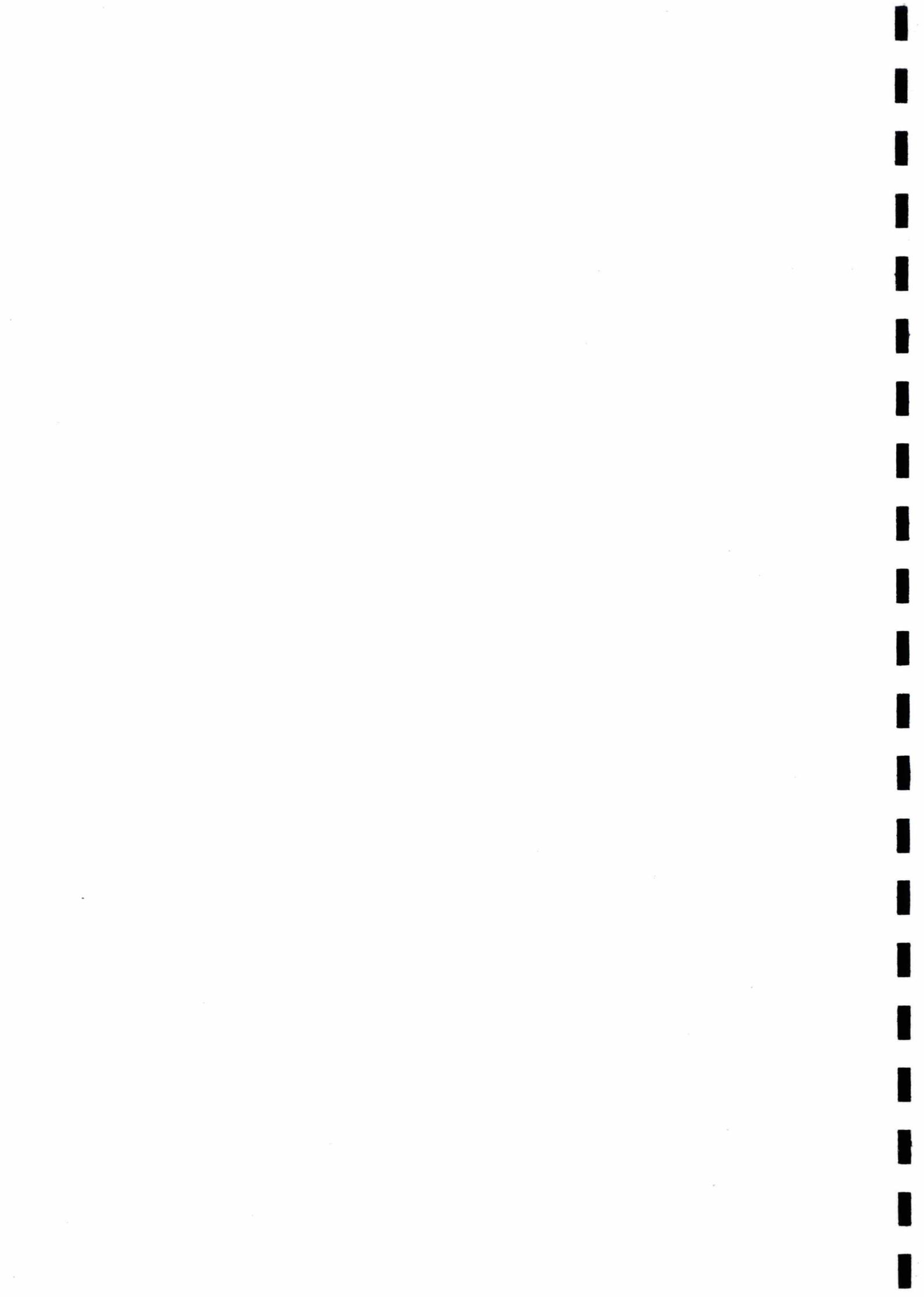
Voyages d'Affaires

39, rue Saint-Dominique

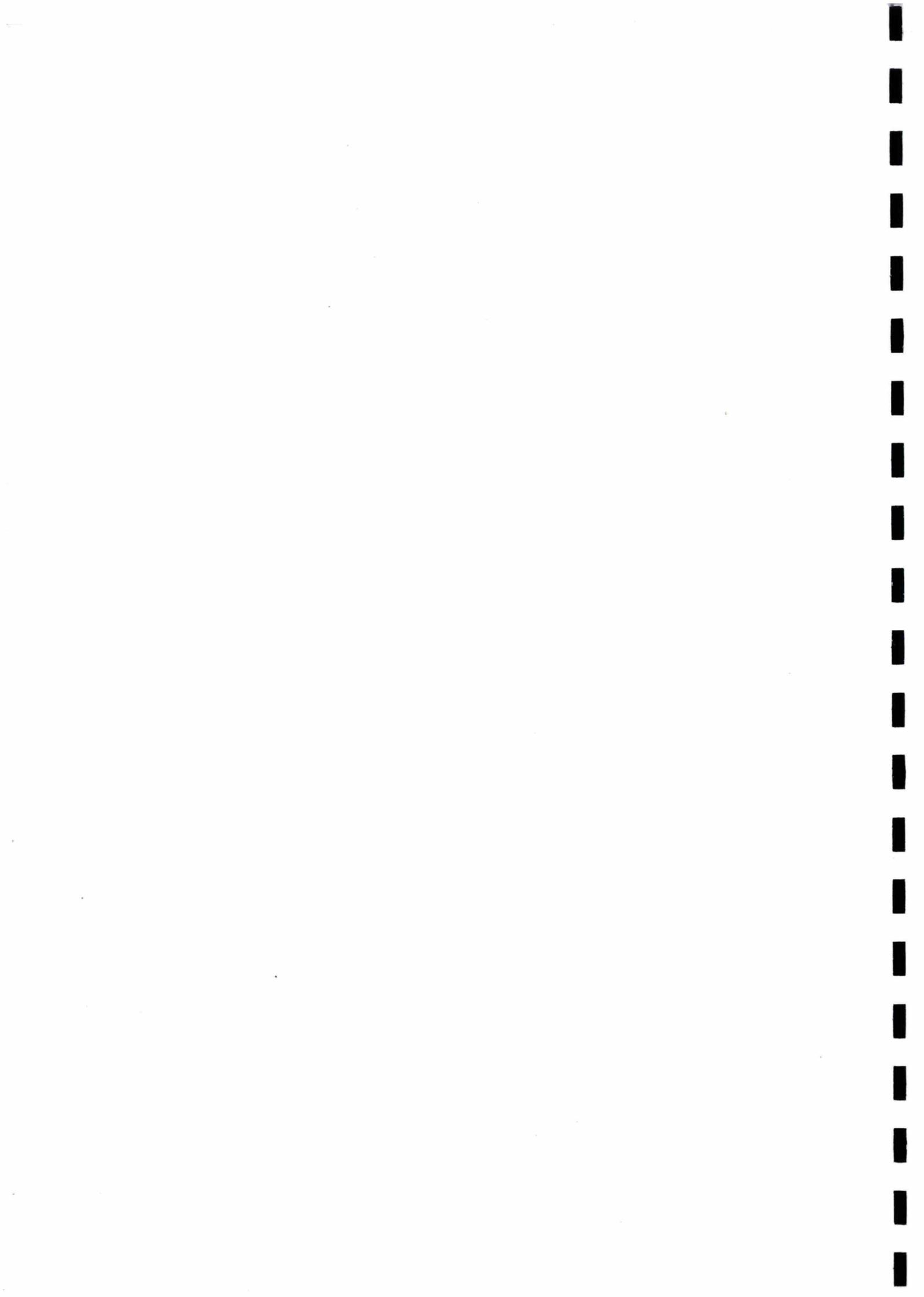
75007 Paris

Tel: (1) 45.55.95.14

Fax: (1) 45.55.97.41







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