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FRAME ECONOMIC

FOREIGN INVESTMENT IN FRANCE

SUMMARY
1. GOVERNMENT APPROVES PACKAGE OF MEASURES TO STIMULATE FOREIGN INVESTMENT IN FRANCE, PARTICULARLY FROM OUTSIDE THE EC.

DETAIL
2. THE FRENCH GOVERNMENT APPROVED A PACKAGE OF ADMINISTRATIVE MEASURES ON 10 JANUARY DESIGNED TO STIMULATE FOREIGN INVESTMENT IN FRANCE FOLLOWING THE LIFTING OF EXCHANGE CONTROLS ON 1 JANUARY. FOR QUOTE ESTABLISHED UNQUOTE EC COMPANIES A SYSTEM OF QUOTE PERMANENT COMMUNITY RECOGNITION UNQUOTE WILL MEAN THAT NO PRIOR FRENCH GOVERNMENTAL AUTHORISATION WILL HENCEFORTH BE NEEDED. IN THE CASE OF OTHER EC COMPANIES THE MAXIMUM PERIOD OF DELAY FOR AUTHORISATION WILL BE REDUCED FROM TWO MONTHS TO 15 DAYS. (INVESTMENTS IN THE DEFENCE, PUBLIC ORDER AND PUBLIC HEALTH SECTORS ARE HOWEVER EXCLUDED FROM THESE ARRANGEMENTS). FOR NON EC COMPANIES, THE PERIOD OF PRIOR AUTHORISATION FOR INVESTMENTS WILL BE REDUCED TO A MAXIMUM OF ONE MONTH, AFTER WHICH NO COMMENT BY THE FRENCH AUTHORITIES CAN BE ASSUMED TO MEAN APPROVAL. (HITHERTO THERE HAS BEEN NO TIME LIMIT ON THE PERIOD OF AUTHORISATION).

3. THIS PACKAGE HAS BEEN IN GESTATION FOR SOME WHILE AND WAS TRAILED BY BEREGOVOY (MINISTER OF FINANCE) WHEN HE CONFIRMED IN DECEMBER THAT REMAINING EXCHANGE CONTROLS WOULD BE LIFTED ON 1 JANUARY. THE FRENCH HAVE BEEN WORRIED THAT GROWING FRENCH INVESTMENT ABROAD HAS NOT BEEN MATCHED BY FOREIGN INVESTMENT IN FRANCE, AND THAT THIS IS ADVERSELY AFFECTING THE BALANCE OF PAYMENTS. THE GESTURE IS MAINLY DIRECTED AT THE AMERICANS, BUT THE RELATIVELY LOW LEVEL OF JAPANESE INVESTMENT IN FRANCE HAS BEEN ANOTHER CONCERN. IT MAY HAVE BEEN ASTUTE OF BEREGOVOY TO PUT THE PACKAGE TO THE COUNCIL OF MINISTERS THE DAY THE JAPANESE PRIME MINISTER CAME TO PARIS.

4. THE TRESOR HAVE NOT YET FINALISED A DEFINITION OF WHAT IS MEANT BY 'ESTABLISHED COMPANY'. TURNOVER IS LIKELY TO BE RELEVANT AS WELL

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AS PERIOD OF EXISTENCE.

5. THESE MEASURES SHOULD RESULT IN IT BEING HARDER FOR THE FRENCH TO DELAY ACQUISITION BY UK-BASED COMPANIES TO GIVE TIME FOR FRENCH BIDDERS TO COME FORWARD, EG. BY QUESTIONING THEIR EC CREDENTIALS. THEY ARE A FURTHER SIGN OF A CONTINUING TREND TOWARDS ECONOMIC LIBERALISM.

FERGUSSON

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SAVING TELEGRAM
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FROM PARIS SAVING TEL. 4 OF 10 JANUARY 1989
TO FCO
REPEATED FOR INFORMATION TO: BONN, BRUSSELS, DUBLIN, THE HAGUE, COPENHAGEN, ROME, LUXEMBOURG, UKREP BRUSSELS, MADRID, WASHINGTON, LISBON, TOKYO, UKDEL OECD, UKDEL STRASBOURG, CONSULATES GENERAL FRANCE.

FRANCE: ECONOMIC REPORT FOR DECEMBER 1989

SUMMARY

- National Accounts figures indicate 1989 third quarter marketed GDP growth of 0.5%.

- Unemployment falls slightly again in November: rate remains 9.5%.

- Consumer prices rise by 0.2% in November: annual inflation rate remains 3.6%.

- External trade deficit of F8.67 billion in October.

- Leading interest rates raised by half a point in December, partly to support franc against rising DM.

- Money supply growth in October within target, but rising slightly. Target range for M2 lowered by half a point for 1990.

- Bourse ends year 33% up.

- Reorganisation of chemicals sector planned.

- Consensus among forecasters that growth in 1990 likely to be around 3%.

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FRANCE: ECONOMIC REPORT FOR DECEMBER 1989

DETAIL

I ECONOMIC ACTIVITY

1. Third quarter National Accounts figures were published by INSEE and showed marketed GDP (over the previous quarter and at 1980 prices) to have grown by 0.5%. Growth figures for the first and second quarters of 1989 were however revised to 1.4% and 0.7% respectively.

2. Industrial production fell by 0.1% during the third quarter. This was caused by a fall in production of intermediate goods (down 0.8%) and automobiles (down 1.8%, due to industrial unrest in the autumn). Production of capital goods and consumer goods rose by 0.7% and 0.6% respectively, whilst production of household equipment rose by 3.9% (having fallen by 0.1% in the second quarter). Domestic energy production rose by 0.2%.

3. Imports fell by 2% during the third quarter, having risen by 2.7% in the previous three months. Imports of manufactured goods were down by 1.3% with capital goods down 1.7%. Imports of agricultural produce fell 6.5%.

4. Exports fell by 2.7% in the third quarter. Exports from the agro food industry were 7.4% lower and exports of manufactured goods (including a 2.9% fall in exports from the intermediate goods sector) were 1.5% lower than during the second quarter.

5. Domestic consumption rose by 1.8% in the third quarter, following the rise of 0.2% recorded over the previous three months. Consumption of household goods rose by 9.9% and automobiles by 7.4%.

6. Company investment rose by 1.0% in the third quarter, after a rise of 0.8% in the second quarter. Investment in the transport industry increased by 2.6% and capital goods by 1.4%.

7. Producers prices rose by 0.7% during the third quarter, having risen by 1% or more in each of the previous four quarters. The slowdown was more marked in the manufacturing sector where prices rose by 0.4% following rises of 1.4% and 0.9% in the first and second quarters.

8. Import prices fell by 0.5% in the third quarter, largely due to the 4.6% fall in the price of imported energy. Export prices rose by 0.1%. There was a 6.8% increase in agro-food export prices and a 2% increase in the price of capital goods exported.