

KCCI - Country Wrap (January 2016)

France



France – a brief overview

Having fifth largest economy in the world; along with its strategic location in European Union, France is a leading tourist destination attracting millions of people every year. The country has been transformed to the capitalist society from being socialist one as its government has fully or partially privatized several companies including insurance companies and banks. However, key sectors like defense, public transport and power sectors still operates under the government ownership. Furthermore, government has also undertaken several structural reforms as part of its pro-growth strategy.

Economy of France

France, being second largest economy in the European Union, possesses high standard of living, greater productivity supported by well-structured industrial base and wide ranging banking system. The country's tourism sector contributes good share making about 7% of the national economic growth. The services and industrial sectors; in the country have overall tough competition among each other promoting healthy economic environment in France. However imbalance in its macroeconomic condition has slowed down the economic growth making it difficult to come out of the financial distress of 2008. The rising unemployment levels along with low labor participation ratio, weak fiscal situation, lingering deficit, substantial government spending, upsurge in public debt and accordingly higher tax rates have become a challenge for the government to make serious reform efforts. The economy of the country started showing signs of recovery showing 0.2% growth in 2014. The recent terror attacks on French capital city, Paris, in November 2015 has jolted the economic base, calling for strict policy and security reforms.

Key Industries of France

The key industries of France includes machinery, chemicals, automobiles, metallurgy, aircraft, electronics; textiles, food processing; tourism.

France's major trading commodities and partners

France mainly exports machinery and transportation equipment, aircraft, plastics, chemicals, pharmaceutical products, iron and steel, beverages. Its export partners Germany (16.9%), Belgium (7.5%), Italy (7.4%), Spain (7.3%), UK (7.2%), US (5%) and Netherlands (4.1%). However, the commodities imported by France include machinery and equipment, vehicles, crude oil, aircraft, plastics, chemicals. The important import partners of France are Germany (19.1%), Belgium (11.3%), Italy (7.7%), Netherlands (7.5%), Spain (6.6%), UK (5.1%) and China (4.8%).

Economic Relations between Pakistan and France

France and Pakistan share cordial relations which have been historically bonded and friendly. The relationships are also based on military, defence, cultural, educational cooperation and economic ties. Trade between the two countries has generally been showing an increasing trend with time. Both the countries signed protocol on Dec. 11, 2009 under which the French government offered a loan of \$ 95.3Mn for construction of a water treatment plant in Lahore. In August 2010, France and Pakistan further agreed to set up a joint commission to undertake cooperative projects in food and agriculture, economic development, security and medical training. Recently, Pakistan and France have signed an agreement on economic and commercial relationship and released a Joint Declaration on Economic and Commercial Partnership. Under this declaration, both the countries have tried to develop a framework of closer economic cooperation, enhancing trade and investment links in order to strengthen the mutual relationship between two countries. France is also trying to overcome the current energy crisis faced by Pakistan through AFD (Agence francaise de developement).

Bilateral Trade Relations between Pakistan and France

Pakistan and France Commission is established in order to boost bilateral trade between two countries. During 2014-15, Pakistan exported goods of worth \$ 502.6Mn to France as against exports of \$ 526.39Mn in the same period of last year; showing decline of 4.5%. The goods imported by Pakistan from France were recorded at \$ 426.90Mn during Fiscal Year 2014-15 as against imports of \$ 391.60Mn in Fiscal Year 2013-14 showing increase of 9%. The grant of EU's GSP Plus status to Pakistan has helped in further enhancing the bilateral trade between the two countries.

Strong Presence of French Brands in Pakistan

The gov. authorities of both Pakistan and France have been collaborating to enhance their bilateral economic relations. These efforts resulted in an increased investment from France in different sectors of Pakistan. During Fiscal Year 2015, French investors made Foreign Direct Investment inflows of \$ 18.7Mn as against inflows of \$ 97Mn in the same period of last year; showing 80% decline in investments. Major French brands like Total and GDF Suez have strong market presence in energy sector of Pakistan. Moreover, Verilinde France, Hyperstar, L'Oréal, Moulinex, Lacoste, Sanofi, Alcatel, Schneider Electric are also among the famous French brands that are operating in Pakistan.

Pakistan France Business Alliance (P.F.B.A)

The Pakistan France Business Alliance (P.F.B.A) was formed in 1991, which aims to encourage and promote business activities, mutual understanding and friendly relations between the business communities of Pakistan and France.

Potential for enhancing bilateral trade relations between Pakistan and France

-France is one of the main suppliers of defense equipment, machinery and electronics. In this regard, France can cooperate in establishing industries in Pakistan by utilizing the low cost labor available here and help in transferring the technology.

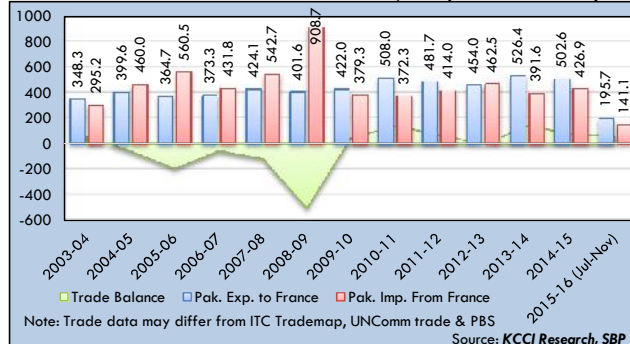
-France is a good market for Pakistani textile products especially readymade garments, bed wear and knitwear.

Economic Indicators

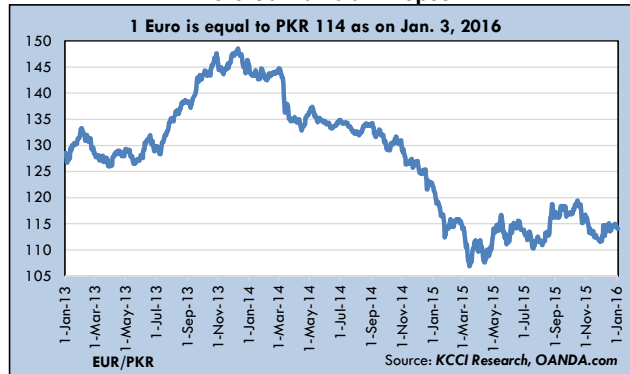
Indicators	Unit	2013	2014	Change
GDP (PPP)	\$ Bn	2,587.0	2,591.0	0.15%
GDP per Capita	\$	40,500	40,500	0.00%
GDP growth	%	0.7	0.2	-0.50%
Forex Reserves	\$ Bn	144.90	143.50	-0.97%
External Debt	\$ Bn	5,549	5,496	-0.96%
Exports	\$ Bn	582.50	584.50	0.34%
Imports	\$ Bn	639.60	631.10	-1.33%
Trade Balance	\$ Bn	-57.10	-46.60	18.39%
Current Account	\$ Bn	-22.65	-26.24	-15.85%
CPI	%	1.0	0.6	-0.40%
Unemployment	%	10.2	10.2	0.00%
Discount Rate	%	0.3	0.05	-0.20%

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & France in \$ Mn (FY04 - Nov.'15)



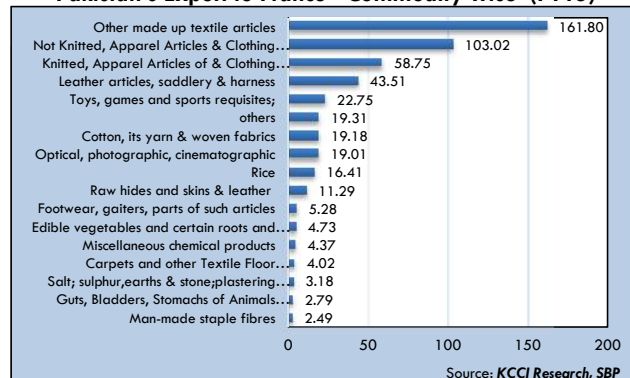
Euro Vs. Pakistani Rupee



Key Memberships

France is a member of ADB, AfDB, Australia Group, EBRD, ECB, EIB, EMU, ESA, EU, FAO, FATF, FZ, G-20, G-5, G-7, G-8, G-10, IADB, IAEA, IBRD, ICRM, IDA, IEA, IFAD, IFC, IFRCS, IMF, IMO, NATO, OECD, Paris Club, PCA, UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNTSO, UNWTO, UPU, WCO, WHO, WMO, WTO

Pakistan's Export to France - Commodity Wise (FY15)



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