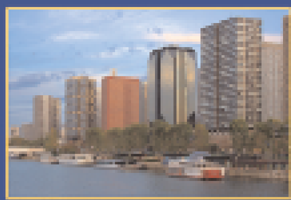
THE BUSINESS GATEWAY

France 2006

ASCAME

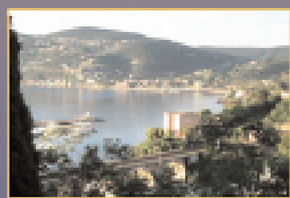
Mediterranean Economic and Business Guide











THE MEDITERRANEAN ECONOMIC AND BUSINESS GUIDE

is the first of its kind, gathering comprehensive information on economic and trade, business environment, capabilities and opportunities, potential partnerships, etc. within the unique and vast Mediterranean area.

G.E.O.C.

THE OFFICIAL PUBLICATION OF THE ASSOCIATION OF THE MEDITERRANEAN CHAMBERS OF COMMERCE AND INDUSTRY AND THE FRENCH CHAMBERS OF COMMERCE AND INDUSTRY

ASCAME : The French Economic & Business Guide

PROVISIONAL CONTENT

Interview with Mr. Renaud DUTREIL

Minister of PME, Trade, Craft Industry and Liberal profession

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La France, espace de réussite

L'attractivité économique du territoire français s'est renforcée dans les années récentes.

Le succès des réformes engagées par les pouvoirs publics pour simplifier l'environnement fiscal et administratif des entreprises, et plus particulièrement des PME, est pour beaucoup dans la compétitivité retrouvée de la France ces dernières années. L'allègement des charges sociales et de la fiscalité, l'adaptation du droit du travail aux contraintes des très petites entreprises ont représenté une véritable « révolution de velours » pour l'économie française.

Pour toutes ces raisons, les investisseurs étrangers emprunte toujours davantage le chemin de la France, porte d'entrée incontournable vers le marché européen, qui constitue un sol de compétences et d'innovations reconnues par tous nos partenaires.

Mais s'implanter sur un nouveau marché, avec ses particularités, sa culture, ses pratiques et sa réactivité, est toujours un pari audacieux.
La marque « France » est dynamique ; d'année en années, elle s'exporte toujours plus à l'international. C'est aussi un label d'attractivité qui décide les professionnels de tous pays à franchir le pas et rejoindre le dynamisme français.

Comme Ministre des PME, je suis donc particulièrement attentif au rôle des petites et moyennes entreprises dans la construction de partenariats solides et efficaces avec les PME étrangères souhaitant entrer sur le marché français. Ces partenariats sont en effet la sève des projets audacieux, la source de nouveaux développements, de la croissance et de l'emploi.

Dans toutes ces opérations, de rapprochement et d'implantation, les Chambres de Commerce et d'Industrie sont des acteurs essentiels et qualifiés disposant d'une connaissance aboutie du marché français. Ils sont des soutiens précieux pour la réussite des projets d'implantation.

N'hésitez pas à vous appuyer sur leur disponibilité et leurs compétences dans l'ensemble de vos projets d'entrepreneurs.

Je suis convaincu que ce Guide, réalisé par l'Association des Chambres de Commerce et d'Industrie de la Méditerranée, vous permettra d'ouvrir, pour vos activités, les portes d'un nouveau développement.

Bien à vous.

Renaud DUTREIL
Ministre des PME, du Commerce,
de l'Artisanat et des Professions Libérales

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THE FRENCH BUSINESS ENVIRONMENT

SETTING UP A BUSINESS

One-person Businesses

If the entrepreneur is alone to create a business in France, he or she has the choice between three structures.

An "Entreprise individuelle" (EI), or One-Man Business, is suitable for small businesses, with few risks and requiring minimum investments. Just one person is in charge, the company manager. The latter has full power to manage the company, takes decisions alone and does not have to file management reports, or publish yearly accounts. There is no notion of capital and the company assets are intermixed with those of the company manager. The company manager is responsible for all company debts on all of his own property.

An "Entreprise Unipersonnelle à Responsabilité Limitée (EURL), or Private Limited Company under Sole Ownership, is a SARL (Limited Liability Company) comprised of a sole partner, natural person or legal entity. No minimum capital is required and it may be comprised of contributions in cash and/or in kind. Some 20 per cent of the contributions in cash must be paid up when the company is formed, and the rest within five years. The EURL is run by a manager. This may be either the sole partner, or a third party. His appointment and his powers are set forth in the Articles of Incorporation or by means of a separate legal instrument. The sole partner is responsible for debts only up to the amount of his contributions. Nonetheless, in case of management faults, his responsibility may be extended to his personal property. The notion of management fault is quite vast, as it ranges from simple negligence or carelessness to fraudulent dealings. The appointment of a statutory auditor is mandatory whenever the company exceeds two of the following thresholds: the balance sheet exceeds 1 550 000 euros, the yearly pre-tax turnover exceeds 3 100 000 euros, or the average number of employees is over 50.

The third choice is a "Société par actions simplifiée unipersonnelle" (SASU), also called a Company Limited by shares under sole ownership. The SASU is a SAS (Company Limited by shares) comprised of a sole partner, which can be either a natural person or a legal entity. The minimum capital required to set such a company is 37 000 euros. At least half of this capital must be paid up at the moment of setting up the company, and the rest within five years. It may be subscribed in cash contributions and/or contributions in kind.

Multi-person Businesses

If the entrepreneur has several associates, he or she has the choice between four other company structures.

A "Société à Responsabilité Limitée" (SARL), or Limited Liability Company, is the best adapted to small and medium-sized businesses. A minimum of two partners and a maximum of a hundred are required. The rules are the same as for the EURL, except for adaptations made necessary by the presence of several associates.

A "Société Anonyme" (SA), or Business Corporation, is suitable for large projects. There is a minimum of seven shareholders and no maximum number. The minimum capital is 37 000 euros, and at least half of the capital must be paid when forming the company, the rest within five years. The capital may be comprised of contributions in cash or in kind. Contributions in kind must necessarily be contributions assessor appointed by the Commercial Court. The company is run by a Board of Managers including from three to 18 members, who must be shareholders. The Chairman of the Board of Managers is appointed by the Board from among its members. A General Manager may be appointed, but it is optional. The shareholders are responsible for debts up to the amount of their contributions. The responsibility of the board member(s) is, on the other hand, much more consequential. For example, it may be extended to include their personal property if they have managed the company badly. A statutory auditor has to be appointed.

Another possible choice is a "Société par Actions Simplifiée" (SAS), or Company Limited by shares. This type of company is suitable for large-scale projects with one or more partners (natural or legal persons). A minimum capital is 37 000 euros at least half this capital must be paid up at the moment of setting up the company, and the rest within five years. The capital may be subscribed in cash contributions and/or contributions in kind. For this type of company, it is prohibited to go public. The partners are free to determine the organisational rules of the company according to the company's articles. Their only obligation is to name a president. The way in which collective decisions are adopted is also determined freely by the partners according to the company's articles. That said, it is obligatory to take certain decisions collectively (approval of the accounts, changes to the share capital, etc.). The shareholders are only liable for debts up to the amount of their investment. The liability of the director(s) is, however, much heavier. For example, it may extend to their personal effects if they have managed the company incompetently. The nomination of an auditor is compulsory.

A "Société en Nom Collectif" (SNC) is also called a Partnership and needs a minimum of two partners and no maximum number (natural person or legal entity). No minimum amount is required for the authorized capital and there is no obligation to pay up immediately. The capital may be comprised of contributions in cash and/or in kind. The company is run by one or more managers, third parties or partner. If nothing is stipulated in the Articles of Incorporation, all the partners are considered as managers and they all answer for the company debts indefinitely and severally. Partnership shares may be transferred only with the approval of all partners. Partners are not obliged to appoint a statutory auditor unless the company exceeds certain thresholds. It is highly recommended that you fix the capital in euros as of today, in order to avoid any eventual administrative formalities and charges.

If the entrepreneur wishes only to have its company represented in France**,** he or she may open a representation office, or a sub-office. The representation office is a simple "observation post". It will enable the entrepreneur to make contacts on the spot, ensure its advertising, and supply him or her with market information. But the representation office may not be involved in any trade activity. The sub-office is a secondary establishment that can carry out a trade activity and thus facilitate relations with customers. Nonetheless, as it has no legal autonomy, it acts in the name of and on behalf of the company.

BUSINESS ENVIRONMENT

France is among the world's leading destinations for foreign direct investment offering high levels of training and education, a productive and reliable labour force, modern infrastructure, a central position within the single European market, and excellent quality of life.

The French economy ranks fifth in the world in terms of gross domestic product, third for exports of services, and third for outward foreign investment behind the United States and Britain. France is a major economic power at the heart of Europe, the world’s largest market, with a definite appeal for international investors. Europe’s leading host country for foreign direct investment and number three worldwide behind China and the US, the country ranks second for inward international investment driving growth and job creation, and has become a key to business success in Europe.

Over the past 20 years, France has become ever more closely integrated in what is now a truly global market, where the constraints of time and place are increasingly irrelevant to knowledge, business, capital, production, technology and research.

And there can be no denying France's successes in this — fifth worldwide by GDP, the number-three exporter of services and the number-two source of foreign direct investment, second only to the US, France is an economic power to be reckoned with, benefiting from its central position in Europe, the world's largest market.

Not surprisingly, France also has proven appeal for foreign investors, ranking first worldwide alongside China for total FDI inflows, and fourth for productive investment contributing to growth and employment. This clearly reflects its importance as a springboard for success in Europe.

France is a land of business and entrepreneurs, counting nearly two and a half million companies. These include world leaders across all sectors, benefiting from the internationally recognized expertise of their management teams.

Not the least of our strengths is a long-standing tradition of industrial innovation. French engineers have frequently played a pioneering role in the emergence of new technologies, illustrated by the launch of the Queen Mary 2 and development of the Airbus 380 and TGV high-speed rail, as well as successes in areas ranging from smart cards to nuclear power and medical research.

High R&D spending, highly qualified research staff and a favourable working environment make France a natural standard bearer for Europe in major projects for international cooperation.

France also benefits from the quality of its education system, ensuring that technicians, supervisors, engineers, government employees and others in key positions have the training they need to do their jobs efficiently. The French labour force is creative and conscientious, as is demonstrated by one of the world's lowest rates of absenteeism. And productivity is among the highest for any major economy, topping performances in the US.

France's attractiveness as a business location is now a priority of the government's economic policy, marked by a commitment to structural reforms such as that of the pension system. Looking ahead, action to enhance attractiveness will benefit from the support of the recently formed Strategy Council. This brings together leading international business people to advise the Prime Minister on the strengths France should make the most of, as well as on areas where progress is needed.

BODIES DEDICATED TO SUPPORT BUSINESS IMPLEMENTATION AND INVESTMENT ATTRACTION

Business is a priority for the French government, and several governmental bodies help entrepreneurs to set their business in France. The Invest in France Agency is one of them.

Established under the New Economic Measures Law of May 15, 2001, the Invest in France Agency is responsible for encouraging long-term international investment and reports to the Minister for the Economy, Finance and Industry and to the Minister of Regional Development.

The Agency's objective is to advance long-term investments that generate economic growth and employment opportunities. In keeping with this basic commitment, the Invest in France Agency is specifically in charge of promoting the French territory to international investors and opinion leaders, prospecting internationally mobile investment projects, acting as a link between investing businesses and local authorities, economic development organizations, government bodies and service providers, to ease international investment programs, coordinating site selection proposals presented the French regions, and monitoring international investment flows and site selection factors.

The Agency conducts its activities in cooperation with local authorities and with the support of partners from the business community.

The Invest in France Agency provides complete information for companies setting up or expanding operations in France. This covers prevailing economic climate, legal framework and tax laws, access to markets, labour productivity, technological and scientific resources, labour and social security regulations, financial aid available at the national and/or regional levels, introduction to additional sources of financing and more.

The Agency identifies the most suitable sites to meet the investing company's strategy, industry and human resources requirements. The Agency's team of professionals organizes visits to short-listed sites, and arranges contacts with local authorities and service providers. These specialists also provide analysis on the local environment in the investor's industry, data on research and technology centres, production costs, site advantages, construction and installation costs, the choice between purchase and rental of business premises, and other relevant considerations.

In cooperation with the concerned parties, the Invest in France Agency researches and maximizes the financial incentives available for each investment project. It also advises investing firms on tax matters, organizes meetings with local officials, and assists with administrative procedures.

Once the new business is operational, the Agency continues to provide support to ensure that the unit is profitable by acting as liaison between the company and local authorities, and assisting expatriates and their families with housing, education, healthcare and training.

ECONOMIC STRENTHS OF FRANCE

TRANSPORT SECTOR

France has one of the densest and most efficient transport networks in the world, with 146 kilometres of road and 6.2 kilometres of railway for each 100 square kilometres. Paris is the hub for domestic and international transport networks, which accentuates the domination of the capital. France's transport network was built with a view to national integration, but the domestic network is now designed to fit in to the European network.

Road Transport

The French Transport Ministry assists road transport companies to adapt to the European market and makes sure that national employment law and safety regulations are respected.
It guides road transport and combined transport policy, implements measures relating to its organisation and modes of operation at the national, European and international levels and is responsible for the structural network of motorways and major national and European roads, i.e. 8,000 km of toll motorways and 12,000 km of non conceded motorways ands national highways.

Since the end of 2004, goods haulage has benefited from emergency tax relief measures coupled with reimbursements of the tax on petroleum products (TIPP) and a higher level of business tax allowance.

Furthermore, dedicated offices have been set up under the authority of the prefects in the various regions to examine on a case-by-case basis the arrangements to be introduced to allow companies facing significant difficulties to postpone their social security and tax payments.

The training of lorry drivers is improving: since the decree of November 8, 2004 professional training is now obligatory not only for drivers employed by haulage service providers but also for salaried company drivers transporting their employers' own merchandise. Drivers must receive both initial and ongoing training (gradually introduced as of February 10, 2005).

Since August 5, 2005, new goods haulage vehicles weighing more than 3.5 tons and new passenger transport vehicles with more than 9 seats have to be equipped with an electronic chronotachometer. This new device permits the digital storage in a computer memory of the data relating to drivers' periods of activity.

Rail Transport

Rail transport has seen two decades of spectacular development of the high-speed network, with the TGV Atlantique and TGV Méditerranée, and more and more interconnections with rail systems in neighbouring countries, such as the Shuttle service to London.

At the same time, local governments have implemented transport policies to maintain local train service (TER), which was cut back after the French national railways (SNCF) abandoned many of its branch lines.

The Transport Ministry proposes legislation and regulations, authorises the commissioning of new railway networks, monitors developments in the level of security of the national railway network, and commissions enquiries in the event of accidents.

Recent and forthcoming changes in rail transport both in France and the European Union emphasize the urgent question of reinforcing the State's resources in the field of railway safety.

At the end of April 2004, the European Parliament and European Union Council adopted a regulation and three directives. As of January 1, 2005, the European Railways Agency has therefore had the task of drawing up safety objectives common to all European railway networks.

The creation of the Réseau Ferré de France (French Railways Network) in 1997 both clarified and separated the responsibilities of SNCF, i.e. the network operator, and RFF, the owner entrusted with the task of track construction.

As of January 2002, it has been the task of the regions to organise and finance - with State aid - the frequency, number and quality of the lines serviced by regional trains (TER) as well as the modernisation of the rolling stock and stations.

The transport finance agency (AFITF) helps drive major rail projects forwards.

Air Transport

The domestic air transport market was opened up to European competition in 1997, which led to two developments: first, the Air France group strengthened its grip on the market and, secondly, low-cost carriers started to fly to a number of medium-sized French cities from countries such as the United Kingdom.

Air France is the leading European airline and it ranks third worldwide in terms of international passenger transport, fourth in terms of international cargo transport and second for aircraft maintenance service. After the merger with KLM in 2003, the Air France-KLM group became the leading European group and the world's third largest airline in terms of traffic and the world's leading group in terms of sales. The Paris airports, Orly and Roissy-Charles-de-Gaulle are still the dominant hubs, accounting for 38 per cent of domestic passenger traffic and 76 per cent of international passenger traffic in 2002, with Nice ranking third.

The Transport Ministry regulates all passenger and goods air transport activities.

Responsible for the security and safety of the civil aviation system, the ministry ensures the necessary vigilance on the part of all involved in its field of competence (control of aircraft, flight crew, operators, industrialists, feedback after accidents or incidents) in order to maintain the very highest level of air transport security. It defines the airport safety policy and ensures that it is applied by the various actors and operators in the air transport sector.

As a service provider acting on a daily basis, it supplies airlines with the services they need to ensure secure, on-schedule air traffic. It is also responsible for infrastructure planning, a key factor in town and country planning.

As a guarantor of personnel training, the ministry ensures that training providers offer the appropriate quality. It possesses a school dedicated to the training of pilots.

Advisor and partner of the aviation industry and operators, the ministry works on a day-to-day basis with all the actors involved in the aviation industry: constructors, engine builders, airlines, airport operators, other administrations, service providers and local authorities.

The commercial aircraft market has shown clear signs of recovery. The Airbus order volume and the number of units delivered have risen considerably compared to the previous year. Indeed, the European aircraft builder delivered 315 units and booked 300 confirmed orders in 2004, i.e. 10 more delivered aircraft and 16 more ordered than in 2003, thus holding on to its number one position ahead of Boeing. With regard to new programmes, development of the A380 is continuing. The plane that was present at Le Bourget completed a daily schedule of two flights per day.

With the law of August 13, 2004 relating to local liberties and responsibilities, the transfer of civil airports apart from those excluded by decree, will take place at the latest on 1st January 2007. Airports serving national or international destinations will continue to be managed by the State as will property required for national defence, air traffic control, weather forecasting and public security.

The State remains responsible for ensuring security and safety at all airports and continues to be responsible for providing appropriate economic control. However, this latter point is a subject of debate with regard to the decentralised airports.

Maritime Transport

France's Ministry of Transport supports the expanding development of waterways in cooperation with the operators of waterways transport services. Ecological, economic and reliable, this transport channel makes it possible to move the raw materials and heavy goods which the freight companies' customers entrust to them. Inland waterway transport will double over the next ten years.

The Voies Navigables de France (VNF - French Inland Waterways) is a public organisation which works together with the ministry and local authorities to conduct development projects to promote waterways and river and canal-based tourism.

Following the law on decentralisation of August 13, 2004, the transfer of waterways and river ports is voluntary. Local authorities may demand the transfer of property at any time. They may also, for a maximum period of 6 years, demand to experiment with the management and operation of these facilities without acquiring the property.

With the canal linking the Seine to Northern Europe, the planned Seine-Escaut wide canal will connect France to North-East Europe.

COMMUNICATION AND TELECOMMUNICATION SECTOR

With the French telecommunications sector wide open to competition, revenues for the first nine months of 2003 rose 3.9 per cent compared to 2002.

International companies play an increasingly central role in the French marketplace, particularly as service resellers in the mobile and fixed telephony and internet segments.

In 2002, growth in the telecommunications sector was led by increasing demand for wireless and broadband services. In fixed telephony, the interconnection and preselection markets grew in both volume and revenue.

As of late 2003, almost 42 million people in France had a mobile telephone account, with market penetration in the 18 to 21 age group, topping 90 per cent.

With the market for multimedia handsets stimulated by consumer demand for new services and operators and service providers awakening to new opportunities, French demand for mobile and wireless solutions (comprising infrastructure, handsets, software and services) reached six billion euros in 2003.
While the leading operators in fixed telephony are France Télécom, Tele2, Cegetel, UPC (cable telephony), and LDCOM, the leaders in mobile telephony are Orange France, SFR, and Bouygues Telecom. In terms of equipment suppliers, Sagem, Alcatel, Nextiraone France, Thalès Communications, and Nortel Networks France are the main leaders.

France hosts the European Telecommunications Standards Institute (ETSI, based in Sophia Antipolis) which regroups 699 members from 55 countries, providing a forum in which all key players can contribute to produce telecommunications standards.

Internet Access

On the internet access market, the number of subscribers topped 9.5 million in September 2003, led by accelerating growth in broadband connections. By early 2004, France had over 3.5 million broadband service subscribers. Main service providers to households are Wanadoo, Tiscali, AOL, Free and Club Internet, and main service providers to businesses are Oléane, Cegetel and Worldcom France.

To promote continuing growth in this segment, the French government has set several key targets to be achieved by 2007, including broadband access for all, very-high-data-rate broadband access in business districts, and nation-wide mobile telephone coverage.

While promoting the development and rollout of new technologies, these policies also open up new investment opportunities.

IT Services

Demand for IT services and software in France was expected to grow by six per cent in 2004, led by computer facilities management, whose sales topped 4.3 billion, up 7.6 per cent in 2003. In software applications, sales are led by decision-making tools, which represent a growth of four per cent per year, and by CRM solutions for SMEs, with sales expected to rise by 5.5 percent per year until 2007.
Cap Gemini Ernst & Young and Atos Origin, two world-class IT service companies founded in France, are in the top five in Europe and the top 15 worldwide. France is also home to other strong performers including Steria, Unilog, Sopra, GFI, Thales IS and Altran.

French companies offer world-class software in CAD/CAM (Catia from Dassault Systèmes, Lectra), software engineering (Softeam, Aonix, TNI-Valiosys), natural language processing (Telisma, A2IA, Itesoft), geomatics, imagery and video games (Infogrames), decision-making (Business Objects), management (CCMX, Cegid, Adonix), e-trading (GL Trade), and software components (Ilog).

French companies are also performing in different activities including onboard software for vehicles and public transport (Renault, Peugeot, Thales and EADS), for telecommunications (Alcatel, France Telecom), and for consumer electronics (Thomson).

Other leading players on the French market for IT services and software are numerous, including Accenture, EDS, IBM Global Services, SAP, PeopleSoft, Oracle, Intentia, JD Edwards, and CSC Peat Marwick.

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PICTURE OF FRENCH ECONOMY

With a GDP of USD 2.02 trillion, France is the fifth-largest Western industrialized economy. It has substantial agricultural resources, a large industrial base, and a highly skilled work force. A dynamic services sector accounts for an increasingly large share of economic activity and is responsible for nearly all job creation in recent years. GDP growth was 0.2 per cent in 2003, after two years of steady decline from 4.2 per cent in 2000. GDP growth rebounded to 2.3 per cent in 2004 from 1.1 per cent in 2002 and 0.5 per cent in 2003.

Since the summer of 2005, the French economy has returned to more robust growth. Over and above the GDP growth of 0.5 per cent, the figures for 2006 highlight the continuing driving-force role played by household consumption. Growth is expected to reach two per cent in 2006, despite the fragility of manufacturing output, which is expected to rise by only one per cent.

French government economic policy aims to promote investment and domestic growth in a stable fiscal and monetary environment. Creating jobs and reducing the high unemployment rate through recovery-supportive policy has been a top priority. The French government successfully reduced an unemployment rate of 12 per cent to 8.7 per cent in the late 1990s but has seen unemployment increase to above 10.1 per cent in early 2005.

France joined ten other European Union countries in adopting the euro as its currency in January 1999. Since then, monetary policy has been set by the European Central Bank in Frankfurt. On January 1, 2002, France, along with the other countries of the euro zone, dropped its national currency in favour of euro bills and coins.

Despite significant reform and privatization over the past 15 years, the government continues to control a large share of economic activity: government spending, at 54.7 per cent of GDP in 2003, is among the highest in the G-7. Regulation of labour and product markets is pervasive. The government continues to own shares in corporations in a range of sectors, including banking, energy production and distribution, automobiles, transportation, and telecommunications.

The other main factor underpinning the positive tendency in consumption is likely to be a continued decline in unemployment. The unemployment rate is expected to diminish continuously throughout the year to stand at around nine per cent in December. In addition to the less rapid trend rise in the labour force and a substantial contribution from assisted employment contracts, this evolution would be a reflection of a substantial acceleration in market-sector dependent employment.

Legislation passed in 1998 shortened the legal work week from 39 to 35 hours for most employees effective January 1, 2000. Recent assessments of the impact of work week reduction on growth and jobs have generally concluded that the goal of job creation was not met. The current administration is introducing increasing flexibility into the law, returning the country to a de facto 39-hour work week in the private sector.

Furthermore, the vigour shown by the construction sector is unlikely to have been affected as yet by the expected levelling-off in demand for housing related to the rise in interest rates.

Membership in France's labour unions accounts for less than ten per cent of the private sector work force and is concentrated in the manufacturing, transportation, and heavy industry sectors. Most unions are affiliated with one of the competing national federations, the largest and most powerful of which are the communist-dominated General Labour Confederation (CGT), the Workers' Force (FO), and the French Democratic Confederation of Labour (CFDT).

France has been very successful in developing dynamic telecommunications, aerospace, and weapons sectors. With virtually no domestic oil production, France has relied heavily on the development of nuclear power, which now accounts for about 80 per cent of the country's electricity production.

TRADE SECTOR

France is the second-largest trading nation in Western Europe, after Germany. France ran a USD 23.0 billion deficit in 2004. Total trade for 2004 amounted to USD 858.2 billion, over 40 per cent of GDP. Trade with EU-15 countries accounts for 61 per cent of French trade in 2004.

In 2003, trade in goods and services between France and the USA totalled USD 84.5 billion. According to the U.S. Department of State, industrial chemicals, aircraft and engines, electronic components, telecommunications, computer software, computers and peripherals, analytical and scientific instrumentation, medical instruments and supplies, broadcasting equipment, and programming and franchising are particularly attractive to French importers. Total French trade of goods and services was USD 994.4 billion in 2003.

France's trade balance improved steadily from 1991 to 1997. It posted a surplus in 1992 and reached a record level in 1997, at nearly 2.4 per cent of GDP. These results are testimony to the competitiveness of French firms and their ability to withstand the crisis in the emerging countries.

Towards the end of the period, the increase in the trade surplus was also linked to a cyclical lag. Exports were sustained by strong global economic growth, whereas domestic demand was too weak to boost imports. After 1998, France's trade surplus shrank as a result of the Asian and Russian crises and the weakening of the dollar.

In 2002, the fob-fob balance of trade in goods and services was up sharply to nearly 30 billion euros, following surpluses of 25.1 billion euros in 2001 and 18.9 billion euros in 2000. As was the case in 2001, the 2002 trade surplus occurred as trade dropped off sharply. The increase in the trade surplus resulted from a sharper drop in import growth, which stood at 0.2 per cent in 2002 and 0.8 per cent in 2001, as opposed to 15 per cent in 2000, and a less drastic drop in export growth, which stood at 0.6 per cent and 1.5 per cent respectively in 2002 and 2001, compared to 13.6 per cent in 2000.

France's foreign trade accounted for 28 per cent of its GDP in 2000, compared to 20 per cent in 1980. This shows that France's economy is increasingly open and dependent on foreign trade.

AGRICULTURE

France is the European Union's leading agricultural producer, accounting for about one-third of all agricultural land within the European Union. Northern France is characterized by large wheat farms. Dairy products, pork, poultry, and apple production are concentrated in the western region. Beef production is located in central France, while the production of fruits, vegetables, and wine ranges from central to southern France. France is a large producer of many agricultural products and is expanding its forestry and fishery industries.

The implementation of the Common Agricultural Policy (CAP) and the Uruguay Round of the GATT Agreement resulted in reforms in the agricultural sector of the economy. Continued revision of the CAP and reforms agreed under the Doha round of World Trade Organization (WTO) will further change French agriculture.

France is the world's second-largest agricultural producer, after the United States. However, the destination of 70 per cent of its exports is other EU member states. Wheat, beef, pork, poultry, and dairy products are the principal exports. The United States, although the second-largest exporter to France, faces stiff competition from domestic production, other EU member states, and third countries. U.S. agricultural exports to France, totalling USD 425 million in 2003, consist primarily of soybeans and products, feeds and fodders, seafood, and consumer oriented products, especially snack foods and nuts. French agricultural exports to the United States are mainly cheese, processed products, and wine. They amount to about USD 1.75 billion annually.

France’s manufacturing industry is very open, particularly to Europe. Manufacturing in the broadest sense (including food processing) accounts for more than three quarters of France’s foreign trade and more than 60 per cent of its trade in manufactured goods takes place with France’s European neighbours. The balance of this trade shows a surplus.

France enjoyed good price competitiveness from 1991 to 1997, primarily as a result of a favourable exchange rate, but it lost this advantage when Asian currencies started to depreciate and, more especially, when the dollar slid in the second half of 1998. However, this setback did not lead to a lasting loss of competitiveness. The definitive changeover to the euro in the European Union froze exchange rates and competitiveness in the short term.

Furthermore, the specialisation of France’s economy and the geographical structure of its foreign trade, which focuses on high value added products, provide good protection against external demand shocks. International specialisation may be less pronounced in France than it is in Germany, but it is very obvious in some industries, such as mechanical engineering, chemicals, automotive manufacturing and food processing. In the period from 1999 to 2001, a weak euro and wage restraint, stemming from the 35-hour workweek, enabled French firms to make up lost ground in competitiveness vis-à-vis international competition and to maintain their market shares in volume terms.

MINING AND CHEMICAL INDUSTRY

Even though it has few natural resources, France still manages to cover 50 per cent of its energy needs, as opposed to only 25.3 per cent in 1973. This achievement means that France’s energy independence is comparable to that of Germany and much greater than that of Italy or Japan. The improvement in France's energy situation is mainly due to the boom in nuclear-powered electricity generation, which has put France in second place worldwide for this type of energy, behind the United States.

Oil

According to *Oil and Gas* Journal, France had 159 million barrels of proven oil reserves in January 2006. The country produced 73,500 barrels per day (bbl/d) of oil in 2005. France is the tenth-largest consumer of oil in the world, consuming 1.97 million bbl/d in 2005. To meet this demand, France had net crude oil imports of 1.89 million bbl/d in 2005, the largest sources of these imports being Norway, Saudi Arabia, Russia, and the United Kingdom. Due to the lack of domestic oil sources, the French government has encouraged the use of nuclear power as an alternative energy source to oil where possible, and the proportion of France's total energy consumption derived from oil has decreased from 71 per cent in 1973 to 39 per cent in 2003.

The Paris and Aquitaine Basins contain the bulk of France's production capacity. The largest producer of crude oil in France is Vermilion, which controlled some 25 per cent of the sector. Vermilion also operated the single largest field in the country, the Parentis near Biscarrosse in southwest France.

Despite its lack of domestic crude oil supplies, France is very active in international oil production. The French oil company Total is the fourth-largest publicly-traded oil producer in the world, with substantial operations in Africa, Europe, and the Middle East. Total controls some 55 per cent of France's refining capacity. The largest refinery in the country is Total's Gonfreville l'Orcher facility.

Natural Gas

France had 380 billion cubic feet (Bcf) of proven natural gas reserves in January 2006. France has very little domestic natural gas production, and in 2003, the country consumed 1.5 trillion cubic feet (Tcf), with less than five per cent of that demand met from domestic sources. The most important sources of France's natural gas imports are Norway, Russia, and Algeria.

Majority-owned by the French government, Gaz de France (GdF) dominates all natural gas activities in the country. In 2004, the French government changed GdF into a joint stock company.

GdF operates the vast majority of France's domestic pipeline system. The company operates over 19,000 miles of natural gas pipelines in France, with an overall system capacity of 5.9 Bcf/d. The GdF systems covers the entire country, with main trunk lines connecting population centers to the import entry points of Dunkerque, Montoir-de-Bretagne, Fos-Cavaou, Cerville-Velaine, and Taisnieres.

Since deregulation began, Total has been the private company with the most success in gaining access to the French market. In 2000, Total purchased Gaz du Sud-Ouest, a small regional gas transportation company in southern France. Total also planned to construct a new natural gas import pipeline from Spain, and it had a stake in the Medgaz pipeline from Algeria. Foreign operators, such as BP and Ruhrgas, have also made some progress in gaining market share.

Because of its dependence on natural gas imports, France has extensive pipeline connections with its neighbours. The Franpipe, completed in 1998, links Norway's Draupner platform in the North Sea to the French port of Dunkerque. The 521-mile-long Franpipe was the first pipeline to directly link France with a natural gas field in a foreign country. The Trans-Pyrenean natural gas pipeline, linking Calahorra, Spain to Lacq began operations in 1993. The connection allows Spain to import natural gas via France from Norway. France also imports natural gas from Russia and from the Netherlands.

In October 2005, Total inaugurated the 48-Mmcf/d Euskadour natural gas pipeline between the liquefied natural gas (LNG) receiving terminal in Bilbao, Spain and southern France.

The proposed Medgaz natural gas pipeline would link Algeria to France via Spain. Algeria's Sonatrach (20 per cent) and Spain's Cepsa (20 per cent) are leading the project. The construction has been delayed but when completed Medgaz would have an initial capacity of 775 Mmcf/d.

France is one of Europe's largest consumers of LNG, and the country receives some 25 per cent of its natural gas imports in this form. Most French LNG imports come from Algeria, with smaller quantities from Nigeria. France currently has two LNG receiving terminals, in Fos-sur-Mer and Montoir-de-Bretagne. GdF is constructing a new, offshore LNG receiving terminal at Fos Cavaou, and ExxonMobil has also proposed building an LNG import terminal near Fos Cavaou by 2009.

Electricity

France has the second-largest electricity sector in the EU, behind Germany. In 2003, France produced 536.9 billion kilowatthours (Bkwh) of electricity and consumed 433.3 Bkwh. The country depends upon nuclear energy for 78 per cent of its electricity generation.

France is the largest net exporter of electricity in the EU, sending 103.6 Bkwh to its neighbours in 2003. France's reliance on nuclear energy allows it to produce electricity at lower cost than other European countries.

Electricité de France (EdF), owned by the French government, controls almost the entire market for electricity generation and distribution in the country. Gestionnaire du Réseau de Transport d'Electricité (RTE) operates the national electricity grid.

The French government created RTE in 2000. RTE is legally independent of EdF, and French law requires that RTE allow equal and non-discriminatory access to the grid for all electricity distributors and generators. The Powernext electricity trading market, founded in 2001, provides a spot market for electricity, auctioning standard hourly contracts to large electricity customers. Responsibility for delivering the contracts falls to RTE, while Clearnet, a subsidiary of the Euronext stock exchange, guarantees the auctions.

From this strong position in its home market, EdF has expanded its operations to other countries. EdF has acquired stakes in a number of large foreign companies in the EU, such as London Energy and German utility EnBW. The company has also made significant investments in electricity markets outside the EU, including Light in Brazil, Edenor in Argentina and natural gas-fired power plants in Mexico.

Compagnie Nationale du Rhône (CNR) is the second-largest electricity utility in France. The company operates 19 hydroelectric plants on the Rhone River. The largest shareholder in CNR is Belgium's Electrabel, which holds just under 50 per cent of the company's shares. Societe Nationale d'Electricite et de Thermique (SNET) operates four coal-fired power plants in France. SNET also operates a cogeneration facility in Poland and four power plants (three hydroelectric, one gas-fired) in Turkey.

NUCLEAR POWER

France is the world's largest nuclear power generator on a per capita basis and ranks second in total installed nuclear capacity behind the United States. In the 1970s, the French government began promoting nuclear power to reduce its reliance on energy imports. In 2003, France's nuclear reactors generated 78 per cent of the country's electricity. French nuclear power is efficient and low cost, and French electricity tariffs are therefore the lowest in Europe.

In September 2001, the French government restructured its nuclear sector into a single, state-owned holding company, Areva. The group controls the country's major nuclear enterprises, including mining of nuclear fuels, construction of new reactors, treatment and recycling of nuclear waste, and decontamination of old plants. In 2004, the French government announced that it would open 40 per cent of Areva's shares to the public, and private entities now own about 13 per cent of the company's shares. In December 2003, Areva and Germany's Siemens won a contract to build a nuclear power plant in Finland, the first new nuclear plant in Europe in over a decade. Areva also plans to build an additional uranium enrichment plant at its Tricastin site in order to avoid dependence on fuel imports.

A report released by the French government in November 2003 called for a significant expansion of the industry, including the construction of a third-generation of nuclear reactors and the upgrading of existing plants. France has partnered with Germany to develop the European Pressurized Reactor (EPR).

The EPR is a third-generation reactor, designed to be safer and more efficient. Each EPR reactor should produce around 1,600 megawatts (MW) of electricity, against 900 MW for most second-generation reactors. EdF announced in November 2004 that it would build the world's first EPR at a site near Flamaville. EdF plans to complete the project by 2012, at a cost of USD 3.8 billion.

France has taken a leading role in the development of the International Thermonuclear Experimental Reactor (ITER). ITER, a consortium of the European Union, the United States, Japan, Russia, China, and South Korea, seeks to build a working fusion reactor at a testing site in Cadarache by 2015.

THE FOOD INDUSTRY AND THE AGRICULTURE SECTOR

France is the leading agricultural power of the European Union, followed by Germany. It is also the world's second-ranking exporter of food products behind the United States. Its trade surplus stood at

9.8 billion euros in 2002. Even though agriculture employs only six per cent of the labour force and represents only two per cent of France's gross domestic product, it is still one of the most dynamic industries in the country.

In the last three decades, French agriculture has undergone a remarkable modernisation, which made spectacular productivity gains possible through rapid improvements in yields.

Northern France is characterized by large wheat farms. Dairy products, pork, poultry, and apple production are concentrated in the western region. Beef production is located in central France, while the production of fruits, vegetables, and wine ranges from central to southern France.

Food Processing Industry

The food processing industry is the leading client of French agriculture. It is one of France's economic strong points and it alone achieved sales of some 122 billion euros in 2002. With nearly 400,000 employees in 2001, the food processing industry was the third largest employer in French manufacturing.

The food processing industry is also a major exporter, posting a trade surplus of 6.8 billion euros in 2002. Wine and spirits are the top exports, posting a trade surplus of 7.7 billion euros in 2002, followed by dairy products with a surplus of 2.2 billion euros and grain, with a surplus of 1.4 billion euros.

France exports 72 per cent of the value its agricultural food products to the European Union, making it an ideal base to access the European Market. Outside the European Union, the United States is France's greatest customer, followed by Japan. French agricultural exports to the United States are mainly cheese, processed products, and wine. They amount to about USD 1.75 billion annually.

France's trade balance is comfortably in the black: a sure fire indication of France's highly competitive position on the market, bolstered in particular by the increase in processed food products as a proportion of overall agricultural food exports.

Geographically speaking, France is at the centre of Europe. Backed up by a state-of-the-art transport system (rail and air freight), this position makes France an ideal platform from which to invest in Europe. A low population density together with a highly effective and secure logistics network provide optimum conditions for setting up operations.

With a 405,000-strong workforce, agribusiness is France's third largest employer. The diversity of this industry (jobs, methods and expertise encompassing the entire the production cycle, from innovation/design to product quality control) makes agribusiness a highly attractive sector for investment. Numerous courses (school, vocational and university) provide training for the various career paths in this sector.

The dynamic nature of this sector, which comprises 4,250 companies throughout the country, is closely linked to the way French industry in general has developed, boasting many highly successful small and medium-sized companies (93 per cent of French food production companies have fewer than 200 employees) as well as large multinationals (i.e. Danone). Some 85 companies of over 500 employees account for 41 per cent of exports, while companies of fewer than 500 employees account for 59 per cent of exports.

Agribusiness generates 15 per cent of France's Added Value, more than any other industry in the country. Moreover, beyond the more traditional production sectors (wine, cheese, etc.), French agribusiness is renowned for its commitment to research and innovation.

Having identified innovation as one of the keys to success in this sector, and with the support of the government, companies large and small and have invested considerable sums of money into research.

Agribusiness has benefited from an immense amount of public research. Research institutes (INRA, CNRS, etc.) covering a variety of areas and research topic, more than forty technical centres throughout the country and a host of public agencies all aid companies in developing highly sophisticated programs, which in turn help create new products and processes that are marketed around the world.

The considerable influence of the agricultural food industry is strongly related to French agriculture's vast production capacity: the industry processes 70 per cent of French agricultural production. Usable agricultural land accounts for 55 per cent of the country's surface area, placing France far ahead of its European competitors.

France is renowned as a country that places food safety and traceability at the very top of its agenda. Such controls give France's producers access to any market and the freedom to sell their food products throughout Europe and the world.

French food companies work tirelessly to meet the requirements of highly demanding distributors, as well domestic consumers who are notoriously hard to please.

France is a country steeped in a tradition of "wholesome produce", gastronomy and expertise. Every type of product is to be found: from fresh and farm produce, to traditional and highly innovative products. This diversity is a mark of France's success on the internal European and international export markets.

France is a large producer of many agricultural products and is expanding its forestry and fishery industries. The implementation of the Common Agricultural Policy (CAP) and the Uruguay Round of the GATT Agreement resulted in reforms in the agricultural sector of the economy. Continued revision of the CAP and reforms agreed under the Doha round of World Trade Organization (WTO) will further change French agriculture.

BANKING, FINANCE AND INSURANCE

The banking system plays an important role in France’s economy. Banking contributes nearly four per cent to France’s GDP. The main banking groups include some of the largest French firms in terms of employees, with 400,000 employees, and in terms of market capitalisation.

The growth of the banking system can also be measured by the total number of banks and credit institutions, which stands at some 1,500, and the number of full-service branches located in France, which is approximately 25,500, not including 17,000 post offices.

The banking industry has undergone sweeping changes since the early nineteen-sixties. Deposit banks' investments in industry and the branch networks opened by investment banks have blurred the conventional division between the two types of banks. The recent period has seen business concentration and mergers occurring at a faster pace, including the mergers of BNP and Paribas, Crédit Lyonnais and Crédit Agricole, and CIC and Crédit Mutuel.

As part of Economic and Monetary Union, France has an independent central bank. The Banque de France was founded at the initiative of Napoléon Bonaparte in 1800 and it gained its independence in 1993. Up until then it had played the role of the government's bank. Its independent status now prohibits it from granting advances or any other type of credit to the Treasury or any other government body or enterprise.

The central bank continues to manage the Treasury's current account and takes part in the management of the government debt. It also manages accounts of book-entry Treasury securities. The Banque de France also compiles the balance of payments on behalf of the central government.

The Paris financial market is an integrated market where maturities range from overnight to the longest term. It is accessible to all issuers. The Paris markets for equities and bonds rank amongst the leading markets in the world. Paris also has an active derivatives market, with over-the-counter trading and organised exchanges: MATIF (Paris international futures market) and MONEP (Paris options market).

The market has been modernised substantially in recent years and there are no technical, tax or regulatory obstacles to international movements of securities and capital. With a market capitalisation of 1,047 billion euros in 2002, the Paris market ranks fifth worldwide, behind New York, Tokyo, London and Frankfurt.

The stocks traded on the Paris Bourse reflect the structure of the French economy and its sectorial and geographical diversity. The forty largest market capitalisations are tracked by the CAC 40 index. The Paris Bourse has also developed new and broader indices that include medium-cap stocks. The Paris bond market is the largest segment of the French capital market and ranks third worldwide. In 2000, the Paris, Amsterdam and Brussels markets merged to form Euronext with a market capitalisation that ranks fifth worldwide.

Insurance Sector

The French insurance sector has consolidated its position as the fourth largest in the world, with net sales of 210 billion euros. There are more than 600 French insurance companies and the industry provides 146,000 jobs. The industry is dominated by large companies such as Groupama, AGF and AXA. In addition, there are many mutual insurance companies, such as GMF (civil servants), MAIF (schoolteachers) and MMA (mutual insurance companies of Le Mans).

Insurance companies, which have large real estate holdings, are diversifying their business to improve their profits. Mergers and acquisitions are occurring at a faster pace between French and European companies and more and more companies are entering into distribution and cooperation agreements, such as the ones signed between La Mondiale and Macif or between MAIF and MGEN (state schools).

MANUFACTURING AND ENGINEERING

France is the second-ranking manufacturing power in Europe and the fourth-ranking manufacturing power worldwide, behind the United States, Japan and Germany. Secondary industry accounts for 22 per cent of France's jobs, 40 per cent of its investment and 80 per cent of French exports.

Even though manufacturing output increased fourfold since 1950, nearly 1.5 million manufacturing jobs were lost in the last 25 years. French manufacturing has seen rapid business concentration and a boom in foreign direct investment. In 2000, French firms and their 19,200 subsidiaries abroad provided jobs for 3.5 million people. French firms owned by foreign groups, mainly from the United States, Germany, the Netherlands and the United Kingdom, provided 30 per cent of the jobs and accounted for 33 per cent of French manufacturing sales in 2000.

The French manufacturing industry as a whole has posted a sizeable trade surplus for several years. This is the result of French know-how in various traditional manufacturing industries, such as automobiles, rail equipment, high fashion and food processing, as well as success in leading-edge technologies such as electronuclear engineering and aerospace.

France's steel industry ranks twelfth worldwide and fourth in Europe, with crude-steel output of 19 million tonnes in 2001. Production fell by more than a third since 1974 and the workforce shrank by 70 per cent under the combined impact of the economic crisis, competition from other products and the emergence of major new competitors in countries of Eastern Europe, Brazil and South Korea. Production, with the boom in oxygen steel, is now dominated by the Arcelor group, which ranks fourth worldwide. Péchiney dominates France's aluminium industry and ranks third worldwide.

Amongst the traditional manufacturing industries, textiles and garment making still provide 254,000 jobs and post sales of more than 26 billion euros. Even though these industries export one third of their output, they still showed a trade deficit of 6.9 billion euros in 2002 and, more importantly, they shed more than 300,000 jobs since 1974. They have been hit by soft domestic demand and, more especially, by keener international competition.

The manufacture of textiles, meaning spinning, weaving, printing and the manufacture of rugs and carpets, is dominated by large firms such as Chargeurs-Textiles, the world's leading group in the wool trade, and DMC, which specialises in cotton. On the other hand, garment making is still a labour-intensive industry, with a scattering of many small- and medium-sized enterprises that specialise to varying degrees. To improve their competitiveness, companies are making greater use of advanced technologies, such as computerised patterns and lasers or high-pressure water hoses to cut fabric. They are also relocating production offshore and relying on short supply chains, which are better suited to rapidly changing fashions.

Engineering

The construction and civil engineering industry provides 1.2 million direct jobs and almost as many indirect jobs. The industry is an excellent indicator of how the economy is faring. It shed many jobs in recent years, but it has posted a slight recovery. The industry has an annual turnover of more than 130 billion euros. Civil engineering is the preserve of large firms, which underwent major concentration in the last two decades. The largest firms are Bouygues, Vinci, Eiffage and Spie-Batignolles. These companies rely on increasingly sophisticated techniques. In the domestic market, they have built motorways, the new national stadium Stade de France, the Millau viaduct, which will be the highest bridge in the world. They also do a lot of business outside of France, where they have to compete with foreign groups, including groups from newly industrialised countries.

The building industry, on the other hand, is divided up amongst some 30,000 small- and medium-sized enterprises (SMEs). Business in the building industry depends heavily on government measures to promote the construction of housing, which take the form of various subsidies and soft loans worth a total of some 18 billion euros per year. Since 1999, the annual number of housing starts has always topped 300,000. Detached houses are the fastest growing market sector, accounting for 63 per cent of housing starts in 2002.

In the period from 1997 to 2001, the automotive industry played a driving role in manufacturing growth. Production increased by an annual average of 11.5 per cent in real terms, while value added increased by 8.8 per cent per year. Carmakers are increasingly focusing on design and assembly work and have outsourced many of their other functions.

The strength of the car industry led to 25,000 new jobs in the industry's firms between 1999 and 2001, plus greater use of agency temps, which corresponded to 7,000 full-time equivalent jobs.

France's chemicals industry (including pharmaceuticals) ranks fifth worldwide, behind the United States, Japan, Germany and, very recently, China. France is the world's third-ranking exporter of chemicals and pharmaceuticals, with a 61.4 per cent share of export sales in 2002. It annual turnover in 2002 was greater than 84 billion euros and it provided 237,000 jobs. The industry's trade surplus stood at 11 billion euros. High-tech industries account for 20 per cent of manufacturing jobs and exports.

France is one of the most competitive countries in aerospace engineering and weapons industries. French firms have joined forces with their foreign counterparts to cope with keener international competition and to reduce research and production costs. For example, the Airbus programme is built on cooperation between France, Germany, the United Kingdom and Spain. The aerospace industry provides nearly 100,000 jobs and exports nearly half of its output. There are many firms in this industry, such as Aérospatiale Matra and Snecma. Airbus and ATR build civilian aircraft, while Dassault-Industrie is specialised in military aircraft, such as the Mirage and the Rafale, and business jets, such as the Falcon. Snecma joined forces with the American firm General Electric to build jets and engines.

The space industry has also developed through international cooperation between fifteen countries. This mainly concerns the Arianespace programme. Launches are heavily booked for the coming years, with the Ariane 5, which can put a payload of six tonnes into orbit, as opposed to four tonnes for Ariane 4. France is also present in the market for telecommunications and observation satellites, such as SPOT and Hélios. These satellites are built by Aérospatiale Matra and Alcatel Espace.

Electrical and electronic manufacturing industries feature a wide range of output. They are also dominated by large firms that rely mainly on government contracts. Alcatel, which acquired many other companies over the last ten years, is still the leader in telecommunications. Alstom, in association with the British company GEC, specialises in equipment for electricity generating plants and high-speed railway (TGV) equipment. It ranks first worldwide for combined cycle turbine generators. Thomson covers a wide variety of production, from applied electronics to defence. Legrand is the world leader for electrical appliances. Even though France is in a strong position in telecommunications, with France Télécom, it is highly dependent on other countries for the production of microprocessors, and suffers from competition from the United States and Japan.

Bio-industries represent a major challenge. France is in a strong position for fermentation, flavourings and genetic engineering, which is used in agriculture to develop new seeds. Bio-industries are involved in a wide variety of businesses that affect several other industries including innovative pharmaceuticals, food products, energy and environmental industries. Manufacturing firms in the "green market" or eco-industries post annual sales of 4.5 billion euros. Water treatment is one of the leading activities, followed by air treatment and waste.

TOURISM

France is a magnet destination for tourists. It is the leading destination for tourists in the world with more than 76.5 million visitors in 2001, or 10.8 per cent of the worldwide total. Tourism's share of the

French economy stood at 6.7 per cent in 2002, compared to a 2.9 per cent share for agriculture. The "travel" item in the balance of payments shows a large surplus every year, totalling some 15 billion euros in 2002.

More than a million people worked in the tourist industry in 2002, but the figure rises to nearly two million when all of the direct, indirect and induced jobs related to tourism are taken into account. There are approximately 180,000 businesses, including 89,000 restaurants, 51,000 cafes, 37,000 hotels and other collective accommodation establishments, and 3,600 travel agencies. Accommodations were dominated by camping grounds, which provided 2.8 million beds at January 1, 2003, or 15.9 per cent of the total 17.3 million beds, followed by registered hotels (seven per cent) and self-catering accommodation (3.1 per cent).

The occupancy of this accommodation is varies from region to region: Provence-Alpes-Côte d'Azur is far ahead with 14.3 per cent of the 1.5 billion bed-nights recorded in 2002, followed by Rhône-Alpes with 11.3 per cent, Ile-de-France with 10.6 per cent and Languedoc-Roussillon with 9.2 per cent. Occupancy also varies in terms of areas, with the seaside accounting for 35.4 per cent of total bed-nights in 2002, followed by the countryside (28.7 per cent), cities (28.5 per cent) and the mountains (7.4 per cent).

Major investments have been made in the tourism industry, totalling 8.5 billion euros in 2000. Most investment has gone into accommodation and catering, which account for 42 per cent and tourist facilities, which account for 12 per cent, including recreational facilities and ski lifts.

Culture

The biggest cultural attractions were Notre Dame Cathedral in Paris, with 12 million visitors in 2001, the Eiffel Tower (6.1 million), the Georges-Pompidou Centre (5.3 million), the Louvre Museum (5.2 million), the Sacré-Coeur Basilica in Montmartre (five million) and Notre Dame de Lourdes (five million). In the theme park industry, EuroDisney is the top attraction by far, with 12 million visitors in 2001.

Around 1,200 museums draw tens of millions of visitors each year. The Louvre, Versailles and the Musée d'Orsay alone welcome nearly 15 million people annually. Most cities outside Paris have at least one museum.

In addition, more than 1,500 monuments are open to the public (eight million visitors a year), with the Eiffel Tower the most popular attraction with six million visitors a year. Moreover, some 38,000 buildings are classified as historic monuments and as such are protected by the Ministry of Culture.

France, which invented the cinematograph in 1895, is still very active in this sector. Some 200 films were produced in 2002, making France second in the world for film investment. France also co-produces an increasing number of films, often with its European Union partners.
In 2002, French-language films attracted 41 million spectators in theatres outside France. This good result can be attributed to a great variety of film genres.

In terms of music and dance, France is the home of some 11,300 dramatic artists and dancers, 16,200 musicians and singers, 250 music, opera and dance festivals, 8,700 variety performers; etc. In addition, amateur performers are increasing in number as teaching in these fields has grown apace. More than 4,300 institutions specialize in music alone.

A total audience of eight million is drawn to some 50.000 performances put on by theatres, national drama centres, other subsidized playhouses and private theatres. Well-known theatres can be found throughout Paris and other cities, not to mention the activity of world-renowned festivals such as Avignon's. Over a thousand independent theatre companies have sprung up in recent years.