

# International trade, foreign direct investment and global value chains



2017

## FRANCE

### TRADE AND INVESTMENT STATISTICAL NOTE

International trade and foreign direct investment (FDI) are the main defining features and key drivers of global value chains (GVCs). However, despite their strong complementarities, the two flows are typically presented and treated separately in the statistical information system. Drawing on new and improved measures of trade and investment, this country note provides relevant statistical information from OECD databases on trade, investment, the activities of multinational enterprises (MNEs) and global value chains (TiVA). It sheds new light on the trade-investment nexus by highlighting the interrelationships between trade and FDI, their economic impact in the context of GVCs, and the role of MNEs as the main directors of these flows. The data are as of 1 May 2017. More information and country notes are available at [www.oecd.org/investment/trade-investment-gvc.htm](http://www.oecd.org/investment/trade-investment-gvc.htm).

Over a fifth (22% in 2014) of economic activity (GDP) in France depends on foreign markets, around the same as in Italy and the United Kingdom. MNEs play a significant role in driving exports, with French MNEs accounting for half of France's gross exports and foreign affiliates for a third. France's outward investment (equivalent to 50% of GDP in 2015) was almost twice the size of its inward investment (27%), and a broader notion of international orientation, which captures the impact on national income of exports and sales through foreign affiliates, shows that France's international orientation was equivalent to nearly a quarter (24%) of GDP in 2014.

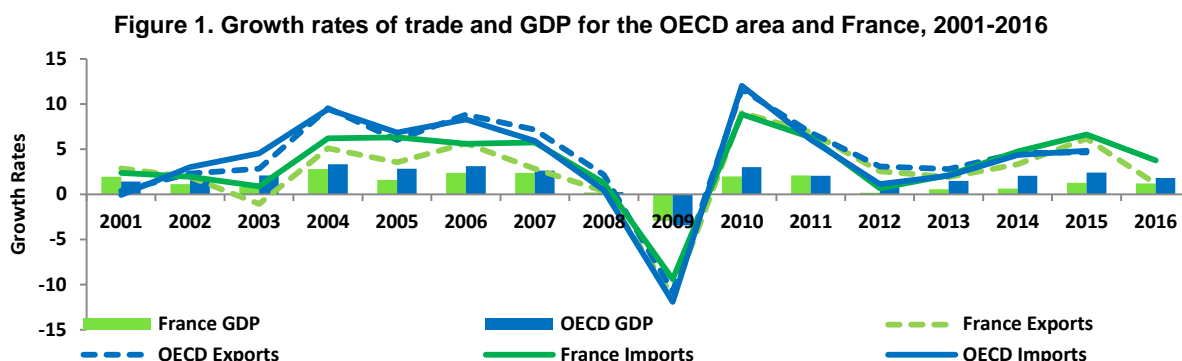
Considering both trade and investment through this broader perspective sheds new light on France's most important partner countries. For example, although Germany and the United States remain the top two sources of imports respectively, the United Kingdom, which is in sixth place when measured in value-added terms alone, jumps to third place, leap-frogging Italy, China, and Spain, because of its more extensive investment links with France.

In value-added terms, the top manufacturing exporting industries in France are chemicals and chemical products (CHM) and other transport equipment (TRQ). In the former, inward investment plays an important role in GVC integration, with foreign owned firms accounting for one-sixth of total exports in value-added terms, while in the latter, a strong presence of French MNEs helps drive integration, with nearly half of the value of exports reflecting import content. France has one of the highest services content in its exports at 62%, and this is correlated with a relatively high share of its inward investment going to the services sector.

# Trade and investment in France

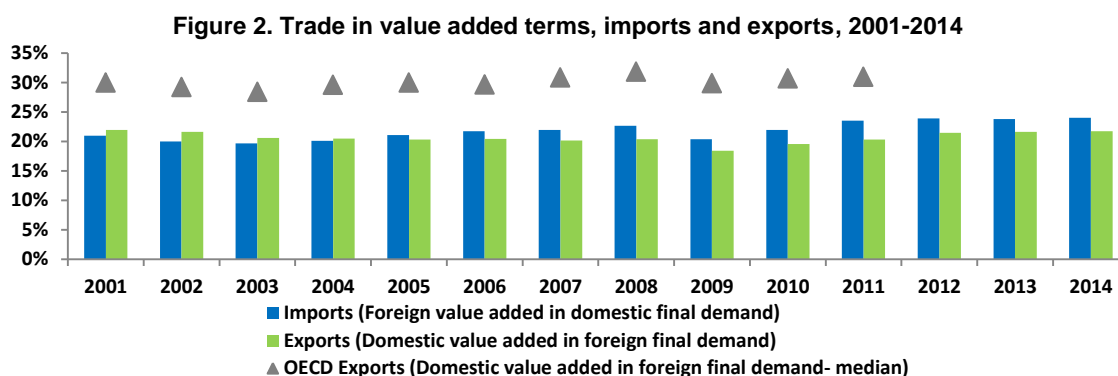
## Growth in trade has recovered since the global and euro crises but slowed in 2016

Like many European economies, French trade contracted significantly at the height of the global crisis and again during the euro crisis. French trade growth was below the OECD average in the pre-crisis years but has moved broadly in sync since then. However, in 2016, export growth slowed markedly to 1.2%.



Source: OECD SNA

Gross exports amounted to USD 726 billion in 2016 (33% of GDP), and gross imports to USD 768 billion (35% of GDP). Gross trade figures however overstate the ‘real’ contribution of trade to the economy. In value-added terms, exports contributed 22% of total GDP in 2014, up on the pre-crisis high but still below 2000, and the OECD median (grey diamond). The contribution of direct and indirect imports to domestic final demand reached a new high in 2014 of 24%.

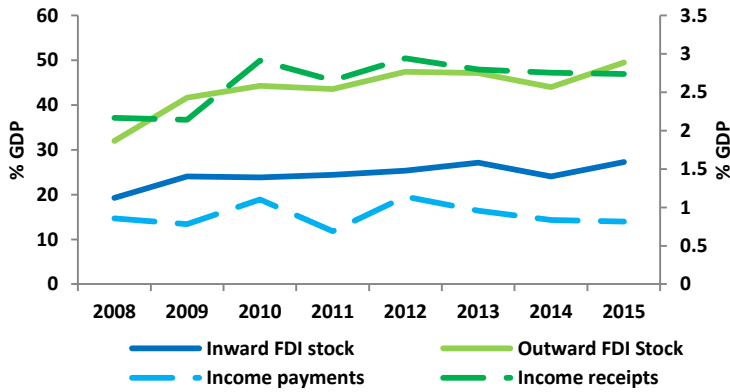


Source: OECD-WTO Trade in Value Added Data

## Investment is more outward than inward

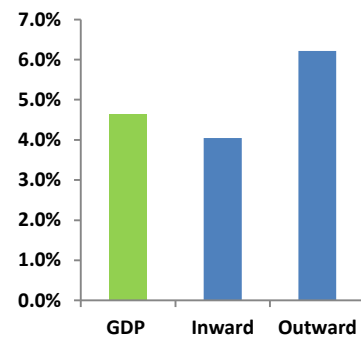
Although both outward and inward FDI stocks have been growing relative to GDP since 2008, FDI remains heavily outward oriented (Figure 3). In 2015, France’s share of total inward FDI stock (4%) was slightly below the share of GDP (4.6%), but its share in outward stock was 6% of the OECD area total, higher than its share of GDP (Figure 4).

**Figure 3. FDI stocks and income as a share of GDP total, 2008-2015**



Source: OECD FDI Statistics (BMD4)

**Figure 4. FDI stocks and GDP as a share of OECD total, 2015**



Source: OECD FDI Statistics (BMD4)

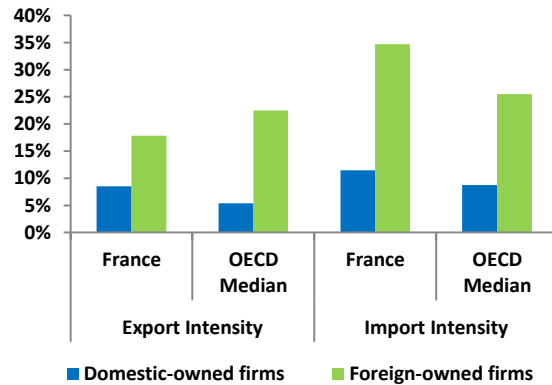
**Foreign-owned firms directly sustained 11% of jobs in the private sector in 2013....**

Despite the relatively small size of inward investment compared to other OECD economies, foreign-owned enterprises accounted for 11% of jobs in the private sector in 2013 and 16% of private sector value added produced in France, excluding the agriculture and finance sectors.

**...and are more export intensive than domestically owned firms**

On average, foreign-owned firms in France are twice as export intensive (share of exports in turnover) as domestically owned firms, yet their export intensity is below the OECD median, partly reflecting a relative orientation towards the comparatively large French market. The import intensity of foreign-owned firms (share of imports in purchases) is also significantly higher for foreign-owned than domestic firms.

**Figure 5. Export and import intensity of domestic and foreign-owned enterprises, 2011**

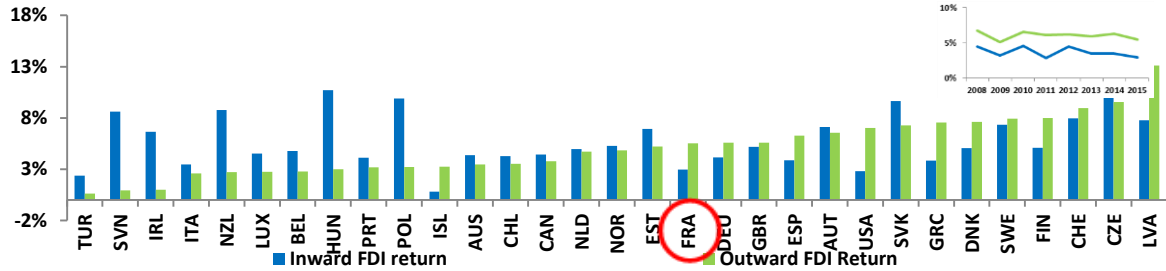


Source: OECD AMNE and Trade by Enterprise Characteristics (TEC) statistics

**Domestic MNEs provide important channels to penetrate foreign markets via affiliates...**

In 2015, France received USD 66 billion in income from its outward investment, equivalent to approximately 2.7% of GDP. Figure 6 shows that France's rate of return at 5.5% (green bar) on outward FDI is above the OECD median, but lower than its 2010 peak (see chart insert). In contrast, the rate of return for foreign investors in France was 3.0% in 2015, at the lower end of OECD countries.

**Figure 6. Return on investment, income receipts and payments as a share of inward and outward stocks, 2015**



Source: Source: OECD FDI Statistics (BMD4)

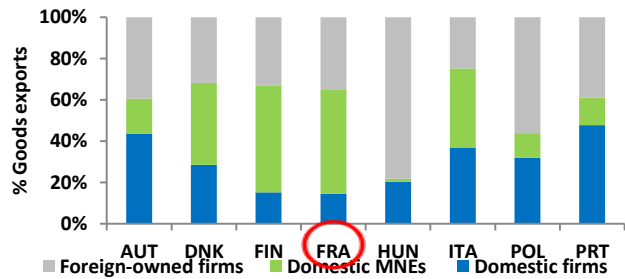
**...or via exports**

Relative to other European economies, French parent MNEs play a significant role in GVC integration. Half of French goods exports and a third of goods imports are by French parent MNEs, significantly higher than many other European countries.

**But France's export orientation is low relative to many similar sized economies**

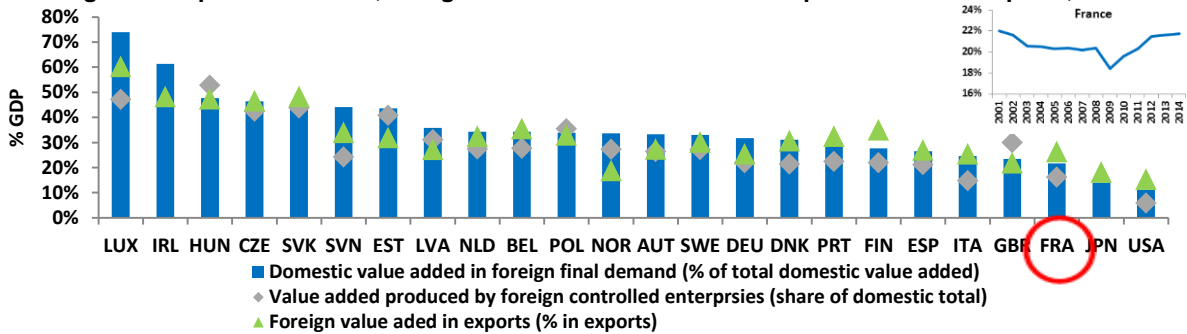
Exports (in value added terms) contribute around 22% of French GDP, this is relatively low compared to other large European economies, but comparable with the United Kingdom and Italy, which may in part reflect lower levels of inward investment and their relatively low export intensity (compared to foreign affiliates operating in other countries). However, export orientation has increased strongly since the crisis.

**Figure 7. Goods exports by firm type, the role of French MNEs**



Source: OECD TEC statistics (2011)

**Figure 8. Export orientation, foreign affiliates value added and import content of exports, 2014**

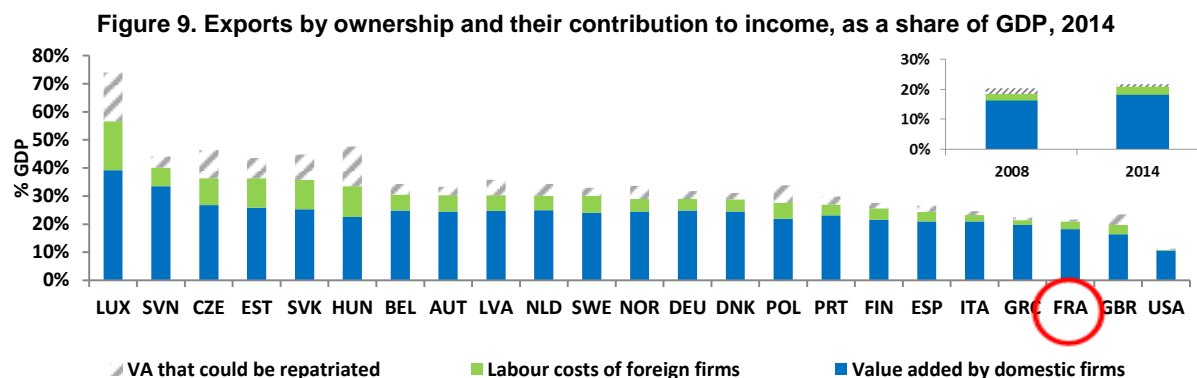


Source: OECD-WTO Trade in Value Added Data and OECD AMNE statistics

**Not all of the domestic value added content of exports sticks in the economy**

Gross export figures overstate the real economic impacts of trade to the exporting economy, but TiVA estimates can also overstate these impacts as the profits earned by foreign-owned firms through exports are repatriated if they are not reinvested. Figure 9 illustrates the importance of these flows across countries by showing the value added in exports of domestically-owned firms (blue bar), wages paid by foreign-owned

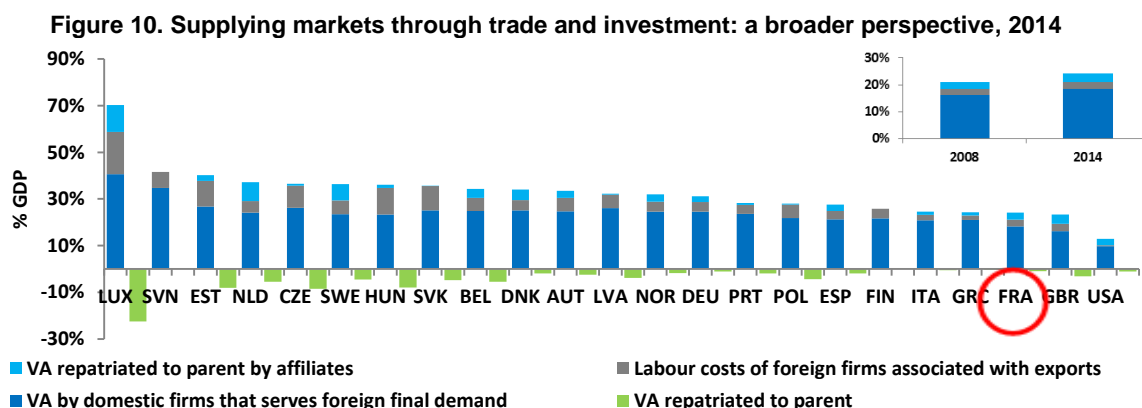
firms (green bar), and profits of foreign-owned firms (grey bar), which in practice can be repatriated. Excluding these profits French exports contain 21% of value-added that remains in the economy. So, only 3% of France's exported domestic value added represents profits by foreign-owned firms reflecting low levels of inward investment and their market seeking behaviour. The share of value added that remains in the economy has increased since 2008 (see chart insert).



Source: OECD-WTO Trade in Value Added Data and OECD AMNE statistics

**Taking a broader view by including the income of foreign affiliates can provide a more complete picture of the international orientation of the French economy**

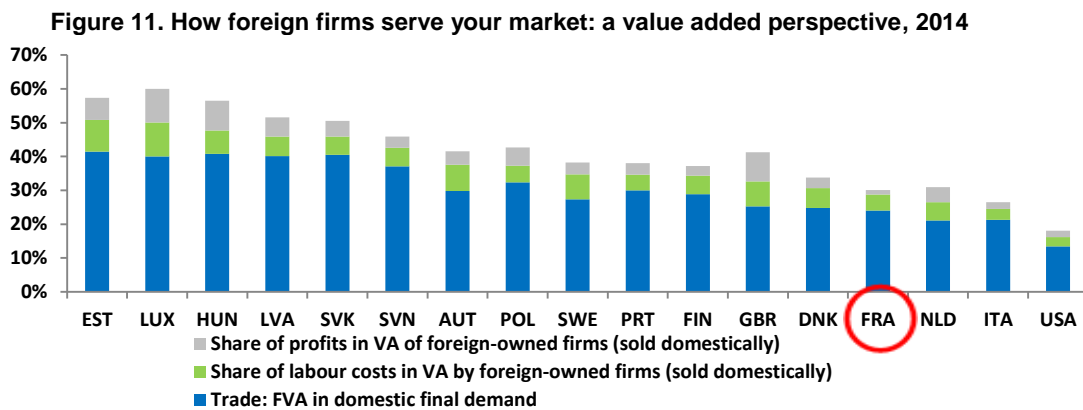
Firms serve foreign markets by exporting or by selling through their foreign affiliates. Figure 10 takes a broader view of an economy's international orientation by taking account of both trade and investment. The chart begins with the domestic value added in exports that remains in the economy – exports of value added by domestic firms (blue bar) and wages paid by foreign-owned firms associated with exporting (grey bar) – and adds to it the profits that domestic MNEs receive from the activities of their foreign affiliates as measured by FDI income receipts (light blue bar). The income payments made to foreign parents are presented for information purposes (green bar). For France this broader measure is higher than the export orientation measure from TiVA because France is a net investor of FDI. France remains at the lower end of OECD countries using this measure, however this has increased since 2008, due to increases in both exports of value added and FDI income receipts (see chart insert).



Source: OECD-WTO Trade in Value Added Data, OECD AMNE and OECD FDI (BMD4) statistics

## This broader perspective can also shed light on how foreign firms serve the French market

Foreign producers supplied products and services for French final consumption equivalent to 30% of GDP in 2014, the majority is through trade (foreign value added in French final demand equals approximately 24% of GDP), but value added generated by foreign affiliates in France for domestic (non-export) sales (Figure 11) accounts for a not insignificant 6% of GDP. Although some of this value added can be repatriated to parents, the share is significantly lower in France than in most other OECD economies (grey bar).



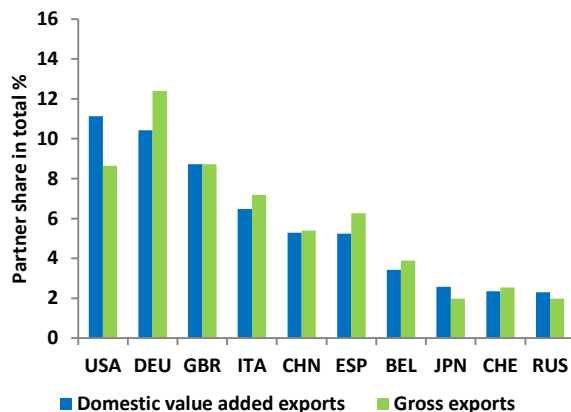
Source: OECD-WTO Trade in Value Added Data, OECD AMNE and OECD TEC statistics

## Trade and investment by partner country

### Trade measured from a value added perspective better reflects the bilateral relationships...

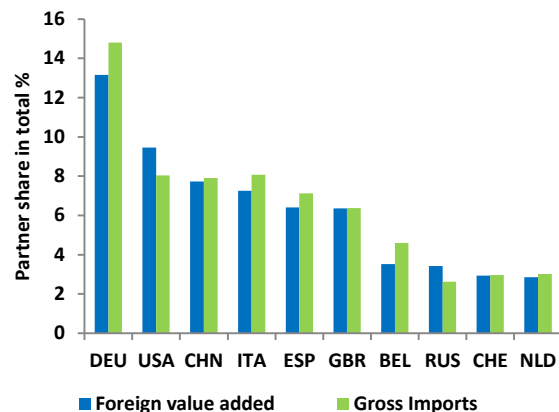
Gross bilateral trade figures can disguise the true nature of interdependencies, particularly between final consumers in one country and producers at upstream parts of the value chain. This is evident for the bilateral relationship with the United States. Apart from the United States, the relative importance of French partner countries does not change that much comparing the gross and value added measures of trade.

**Figure 12. Exports: gross and value added terms by partner country, 2014**



Source: OECD-WTO TIVA data

**Figure 13. Imports: gross and value added terms by partner country, 2014**

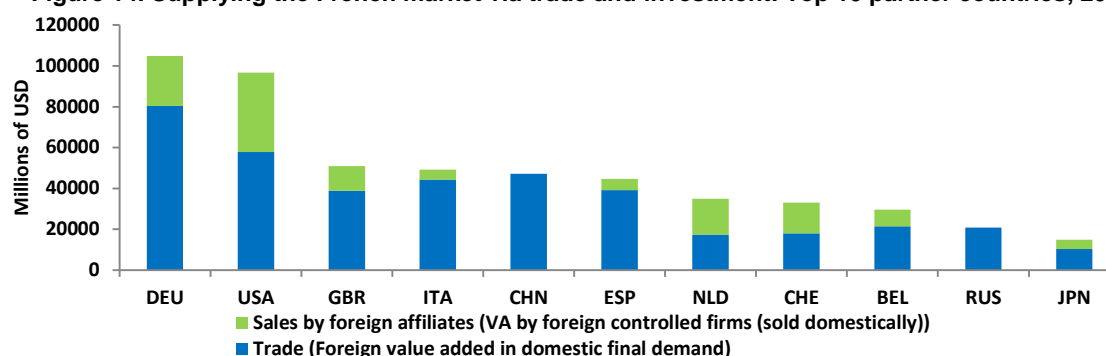


Source: OECD-WTO TIVA data

## ...and interdependencies are further revealed when looking at the broader notion of 'trade'

Foreign firms can serve an economy through trade or sales by foreign affiliates; bringing the trade and investment perspectives together can shed a different light on a country's most important partners (Figure 14). Substantial variation exists across countries in how they supply the French market. For example, while most partner countries supply French consumers mainly through trade, the United States, the Netherlands and Switzerland do so both through trade and sales by foreign affiliates. Furthermore, considering both trade and investment the United States is a very close second to Germany; this is not evident when looking at trade alone. While the United Kingdom jumps from sixth to third.

**Figure 14. Supplying the French market via trade and investment: Top 10 partner countries, 2014**



Source: OECD-WTO TiVA Data and OECD AMNE statistics.

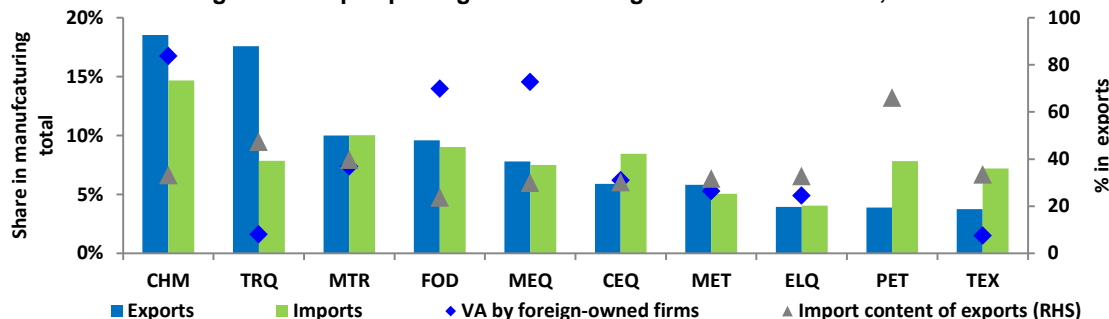
Note: Data on foreign affiliate presence are not available for China or Russia.

## Trade and investment by industry

### Outward investment helps shape France's GVC integration

The top manufacturing exporting industries in France are chemicals and chemical products (CHM), other transport equipment (TRQ) and motor vehicles (MTR). The import content of exports is relatively high across these industries—illustrating the role that importing plays in supporting exports and indicating the degree of GVC integration in these industries. The role of foreign-owned firms differs substantially across French industry, in part reflecting France's own comparative advantages and specialisation of its MNEs.

**Figure 15. Top exporting manufacturing industries in France, 2014**

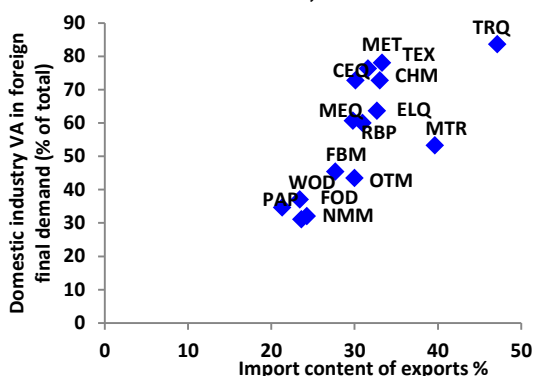


Source: OECD-WTO Trade in Value Added Data and OECD AMNE statistics. See page 10 for a description of industry codes.

## Exports and imports go hand in hand...

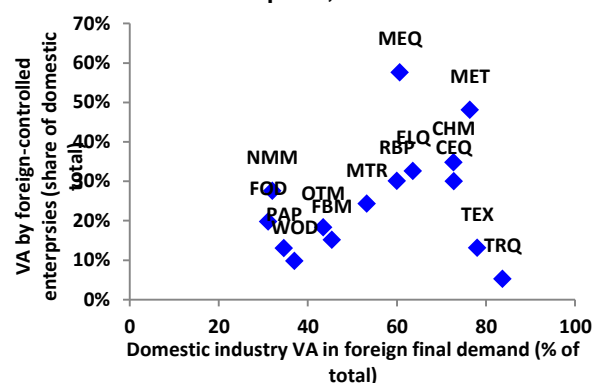
Across most industries there is a strong correlation between higher import content of exports and a higher share of their domestic value-added being exported (export orientation) illustrating the strong complementarity of exports and imports.

**Figure 16. Import content of exports and export orientation, 2014**



Source: OECD-WTO TiVA Data and OECD AMNE statistics

**Figure 17. Foreign-owned firms and import content of exports, 2014**

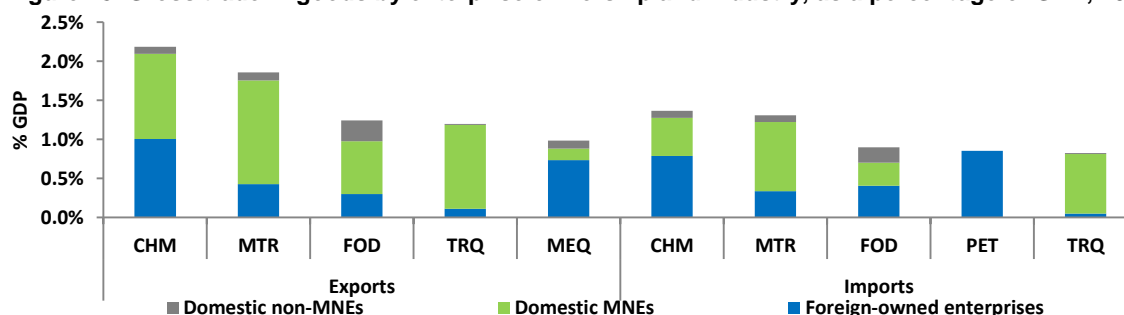


Source: OECD-WTO TiVA data and OECD AMNE statistics

## ...and investment and export orientation can also go hand in hand

At the same time, strong complementarities can exist between inward investment and import content of exports (Figure 17). For France, the industries where foreign-owned firms produce more of the value added are also those that are more export orientated. TRQ is an exception reflecting the strong domestic MNEs. Figure 18 illustrates the trade in goods by firm ownership; domestic MNEs are the main traders for France reflecting that often France is at the start of the GVC. Foreign-owned enterprises also play a significant role.

**Figure 18. Gross trade in goods by enterprise ownership and industry, as a percentage of GDP, 2011**



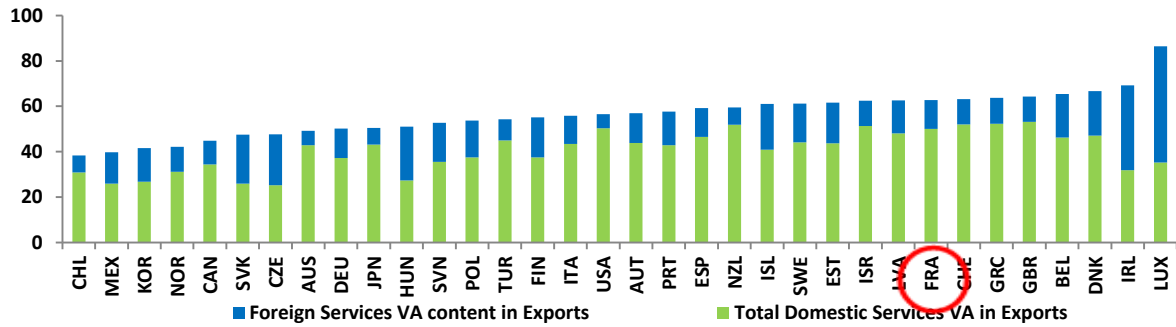
Source: OECD TEC Statistics

## Service industries play an important role in the export orientation of an economy...

Typically, services account for a large share of the value added in the economy but conventional gross trade statistics understate this as they cannot reveal the contribution that the upstream services industry plays in the production of goods exports. Accounting for this contribution, the services content of France's total exports of goods and services was 62% in 2014 (Figure 19), above the OECD median of 57%. Considering the services content of manufactured goods alone, nearly half of the total value of French manufacturing exports reflects services value added, significantly above the OECD average of 36%.



Figure 19. Services content of gross exports for OECD countries, 2014

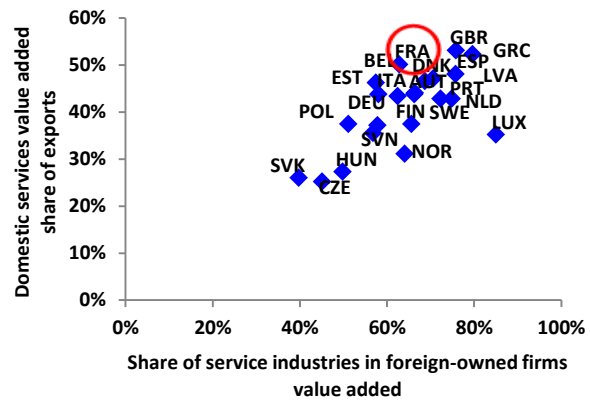


Source: OECD-WTO TiVA Data

**...and so inward FDI in the services sector can be an important channel for export success**

Greater foreign investment in the services sector is associated with higher services content in exports. For France, the share of investment in services is at the higher end for OECD economies, which could contribute to the relatively high services content in exports.

Figure 20. Share of services industries in foreign-owned firms' value added and domestic services value added share of gross exports, OECD countries, 2014



Source: OECD-WTO TiVA Data and OECD AMNE statistics

**Links and data sources**

**Guide to the trade and investment statistical notes**

[www.oecd.org/investment/Guide-trade-investment-statistical-country-notes.pdf](http://www.oecd.org/investment/Guide-trade-investment-statistical-country-notes.pdf)

**Activity of Multinational Enterprises - AMNE** [www.oecd.org/sti/ind/amne.htm](http://www.oecd.org/sti/ind/amne.htm)

**OECD Benchmark Definition of Foreign Direct Investment - 4th Edition (BMD4)**

(see Chapter 8 for information on the intersection of AMNE and FDI data)

[www.oecd.org/investment/fdibenchmarkdefinition.htm](http://www.oecd.org/investment/fdibenchmarkdefinition.htm)

**Foreign Direct Investment (FDI) Statistics** [www.oecd.org/investment/statistics.htm](http://www.oecd.org/investment/statistics.htm)

**Trade by Enterprise Characteristics - TEC**

[www.oecd.org/std/its/trade-by-enterprise-characteristics.htm](http://www.oecd.org/std/its/trade-by-enterprise-characteristics.htm)

**Trade in Value Added - TiVA**

[www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm](http://www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm)

**Table of industry codes**

Industry Type	Ind Code	Industry Description
<b>Primary Industries</b>	<b>AGR</b>	Agriculture, hunting, forestry and fishing
	<b>MIN</b>	Mining and quarrying
<b>Manufacturing</b>	<b>FOD</b>	Food products, beverages and tobacco
	<b>TEX</b>	Textiles, textile products, leather and footwear
	<b>WOD</b>	Wood and products of wood and cork
	<b>PAP</b>	Pulp, paper, paper products, printing and publishing
	<b>PET</b>	Coke, refined petroleum products and nuclear fuel
	<b>CHM</b>	Chemicals and chemical products
	<b>RBP</b>	Rubber and plastics products
	<b>NMM</b>	Other non-metallic mineral products
	<b>MET</b>	Basic metals
	<b>FBM</b>	Fabricated metal products except machinery and equipment
	<b>MEQ</b>	Machinery and equipment n.e.c
	<b>CEQ</b>	Computer, electronic and optical products
	<b>ELQ</b>	Electrical machinery and apparatus n.e.c
	<b>MTR</b>	Motor vehicles, trailers and semi-trailers
	<b>TRQ</b>	Other transport equipment
	<b>OTM</b>	Manufacturing n.e.c; recycling
	<b>Services</b>	<b>EGW</b>
<b>CON</b>		Construction
<b>WRT</b>		Wholesale and retail trade; repairs
<b>HTR</b>		Hotels and restaurants
<b>TRN</b>		Transport and storage
<b>PTL</b>		Post and telecommunications
<b>FIN</b>		Finance and insurance
<b>REA</b>		Real estate activities
<b>RMQ</b>		Renting of machinery and equipment
<b>ITS</b>		Computer and related activities
<b>BZS</b>		Research and development & Other Business Activities
<b>GOV</b>		Public admin. and defence; compulsory social security
<b>EDU</b>		Education
<b>HTH</b>		Health and social work
<b>OTS</b>		Other community, social and personal services
<b>PVH</b>	Private households with employed persons	