

## World Trade by Richard Freeman

### The French record of export success

*Georgetown's useful assessment is both too optimistic and too pessimistic about France's prospects.*

In the most informative of a series of papers on international trade prepared this year by Georgetown University's Center for Strategic and International Studies (CSIS), economist Lawrence Franko details French export success in developing-country markets. Franko's paper, entitled, "French Export Behavior in Third World Markets," shows that the European Monetary System policy of expanded trade with the developing sector is backed up by technical and trading expertise of a winning quality.

Franko's conclusion states: "It is clear that France has been successful in selling to Third World markets over the period 1973 to 1978, often displacing U.S. suppliers. France has been able in the space of six years to reorient much of its export sales from traditional EEC markets to developing-country purchasers. France has outstripped the United States in rates of growth of export sales of several Third World countries in Latin America, Africa and Asia. Increased sales in these markets have gone a long way toward offsetting France's large bill for oil imports; the French trade balance even showed a temporary surplus in 1975 due to increased exports of manufactured products, mainly to developing countries."

"Most of France's success Franko attributes to "an impressive range of French governmental policy tools for export promotion. The

use of financial incentives—both tax and non-tax measures—has been backed by an active political campaign tying French military and technical assistance as well as aid disbursements and support for foreign policy positions to the purchase of French exports. The importance of these non-monetary factors cannot be stressed too strongly, and it suggests that excessive concentration by U.S. analysts on price competitiveness and the availability of other official facilities misses the main point . . . the mere matching of export credits and insurance guarantees by the United States is a feeble and inadequate response to an aggressive worldwide drive for export markets."

Prof. Franko, the Director of Research at the Centre d'Etudes Industrielles (CEI) in Geneva, Switzerland, presents an impressive explanation for the 171 percent rise in French exports to developing countries since 1973. In addition to assembling a large amount of useful detail, Franko is willing to throw cold water on American illusions by highlighting France's performance in such high technology fields as nuclear plant and aerospace exports, which the United States dominated until very recent.

In some ways, however, the CSIS paper is simultaneously too optimistic and too pessimistic about French prospects. However successful French strategy in pay-

ing for oil through increased exports was in the 1973-1978 period, it has been clear to the French leadership for some time that exporting a greater share of their existing range of industrial products in return for more and more costly oil represented a dead end. Indeed, under the Barre plan, French industrial growth has not been adequate to continue the 1973-1978 pattern indefinitely.

The solution France is seeking lies in an ambitious project in close cooperation with West Germany, to expand knowledge-intensive industries and nuclear power production at home, and to create major new markets for European projects through the industrialization of developing countries. This is a step beyond selling more Mirage aircraft. Where Franko is too pessimistic is in excluding from analysis the technology orientation of the French government in energy production, electronics, aerospace, and other fields.

In an important way, his analysis ends where it should begin—with the 1978 formation of the European Monetary System and the agreement to create a European Monetary Fund. Under this policy, vast new export markets would be created for the industrialized nations, by extending cheap credits to Third World nations for capital-intensive, energy-intensive, high-technology development of agriculture and industry, focused on specified development projects. Success of this project—brought forward by President Giscard's five-day trip to West Germany this week—will determine whether France will be able to make the required leap into a new generation of export capability and success.