FRANCE

Competitive Industrial Performance in 2012

UNIDO Country Office in Viet Nam – August 2014

Contents

Executive Summary

In the Competitive Industrial Performance (CIP) ranking, France slipped to the tenth-placed in 2012, falling by 5 spots in the last decade. Indeed, its Manufacturing Value Added (MVA) per capita only ranked 22nd worldwide, decreasing by 1% per year on average this last decade and lagging far behind roles models, though some other European countries like the United Kingdom suffered a larger decline. On the trade side, despite a slowdown during the financial crisis, France remains the world fifth largest manufactured exporter with an important manufactured exports per capita growth over the last decade (5% per year). However, the dynamism of France's exports is far from Germany: the ratio of French to German exports has declined from 76% in 2000 to 54% in 2010.

Manufacturing plays a smaller role for France than for the European Union: in 2010, industry accounts for 12% of the total value added in France, against 15.5% for the EU and even 19% for Germany. But manufactured exports still account for almost 88% of France's total exports. With a share of medium- and high-technology in total manufactured trade of 66%, France's export quality is high, though lower than the ones of many roles models.

France's exports are diversified and largely dominated by medium- and high- technology exports. Yet, France is losing market shares in almost all its areas of excellence, except the aircraft/spacecraft sector where it became the world first largest exporter. However, France seems to specialize in less dynamic products and this could explain and accelerate the relative erosion of France's contribution to global industry.

Acknowledgements

This note was prepared by Mr. Samuel Monteiro, under the overall guidance and direction of Patrick J. Gilabert, UNIDO Representative in Viet Nam. For more information, you may contact directly the Viet Nam Country Office at office.vietnam@unido.org

1. Capacity to produce and export

Relatively low production capacities

In terms of level, France's Manufacturing Value Added (MVA) per capita only ranked 22nd in the world, lagging far behind roles models, and should be soon exceeded by fast growing countries like Poland or China. This means that its capacity to add value in the manufacturing process is more limited compare to other industrialized countries.

Declining capacities over the past decade

France's MVA per capita has experienced a very limited average growth of 0.4% per year since 1990 (Table 1). But this trajectory is not constancy. France has first experienced an average growth of roughly 2% per year between 1990 and 2000, which was better than its neighbors' performance, Germany include. But then, France has seen its MVA per capita fall by more than 1% per year on average. The other OECD's countries have followed the same path, even if some countries like Japan, the United States or Germany have been more able to limit the decline, whereas some other countries like the United Kingdom or Italy suffered a larger decline. Thus, France seems to move along an intermediate deindustrialization trajectory, with a relative decline on the world stage for the benefit of emerging countries.

Table 1: Manufacturing value added per capita for France and comparators, 1990-2010

Country	Value (US$)			Average annual growth rate			Gain/Loss in world share (percentage points)
	1990	2000	2010	1990-2010	1990-2000	2000-2010	
Japan	7,753	8,140	7,994	0.2%	0.5%	-0.2%	- 7.9 pts
United States of America	4,145	5,417	5,522	1.4%	2.7%	0.2%	- 0.3 pts
Germany	4,652	4,768	4,667	0.0%	0.2%	-0.2%	- 3.2 pts
United Kingdom	3,704	3,856	3,162	-0.8%	0.4%	-2.0%	- 2.2 pts
France	**2,677**	**3,218**	**2,885**	**0.4%**	**1.9%**	**-1.1%**	**- 1 pts**
Italy	3,152	3,562	2,848	-0.5%	1.2%	-2.2%	- 1.8 pts
Poland	235	734	1,490	9.7%	12.1%	7.3%	+ 0.6 pts
China	100	303	820	11.1%	11.7%	10.5%	+ 12.7 pts

Source: UNIDO, Competitive Industrial Performance Index.

A main industrial exporter

France's performance on the trade side is better than the industrial side. Indeed, manufactured exports per capita growth in France over the last decade has been important (5% per year) and France remains the world fifth largest manufactured exporter (Table 2). Overall, France remains among the consistent performers, though its external competitiveness has significantly deteriorated over the last decade, with trade deficits reaching record levels (EUR 70 billion in 2011).

Albeit far from Germany's exports

Germany's manufactured exports per capita are almost twice as large and are growing faster. Thus, the ratio of French to German exports has declined from 76% in 2000 to 54% today. As a consequence, the competitiveness gap vis-à-vis to the best performers is growing. This shows the larger Germany's capacity to meet global demand for manufactured goods in a highly competitive and changing environment. Indeed, despite the booming manufactured exports from emerging countries and especially from China with an impressive double-digit growth, Germany is the only industrialized country which has been able to gain some world market shares.

A major slowdown during the financial crisis

France, like Germany, has been largely affected by the recent financial crisis and saw a major slowdown in manufactured trade. Again, the United Kingdom seems to be more affected than France by the emergence of certain developing countries, with a slower growth of its exports per capita, even negative during the crisis.

Table 2: Manufactured exports per capita for France and comparators, 2000-2010

Country	Value (US$)			Average annual growth rate			Gain/Loss in world share (percentage points)
	2000	2005	2010	2000-2010	2000-2005	2005-2010	
Germany	5,848	10,781	13,397	9%	13%	4%	+ 0.3 pts
France	**4,432**	**6,355**	**7,237**	**5%**	**7%**	**3%**	**- 1.2 pts**
Italy	3,928	5,897	6,935	6%	8%	3%	- 0.9 pts
Japan	3,584	4,366	5,521	4%	4%	5%	- 2.9 pts
United Kingdom	3,928	5,299	5,248	3%	6%	0%	- 1.8 pts
Poland	704	2,003	3,640	18%	23%	13%	+ 0.7 pts
United States of America	2,181	2,309	2,736	2%	1%	3%	- 4.8 pts
China	180	550	1,124	20%	25%	15%	+ 9.4 pts

Source: UNIDO, Competitive Industrial Performance Index.

2. Technological upgrading and deepening

Evidence suggests that technology intensive structures can lead to faster growth because, over the long run, technology intensive activities tend to grow faster in trade than simple activities. These sectors are also less vulnerable to entry by competitors and therefore enjoy higher and more sustainable margins.

A relatively small industrial sector

Manufacturing plays a smaller role for France than for the European Union: in 2010, industry accounts for 12% of the total value added in France, against 15.5% for the EU and even 19% for Germany. While Germany's manufacturing sector remains a key factor in its macroeconomic performance, its influence is low and declining in France.

An industrial structure technologically sophisticated, but not enough

Manufactured exports account for almost 88% of France's total exports, a quite similar figure to that in Germany or other highly industrialized economies (Table 3). However, with a share of medium- and high-technology in total manufactured trade of 66%, France's export quality is lower than the ones of many roles models. Indeed, in order to join the club of highly technological sophisticate's countries, France's medium- and high- technology trade ought to account for more than 75% of its total manufactured trade. With emerging countries taking central stage, the real challenge for France is to increase even further the technological sophistication of its industries. Even more so, China is achieving a fairly quick technological sophistication, with high-tech and medium-tech exports now accounting for two thirds of its total manufactured exports, thus approaching France level.

Table 3: Export quality for France and comparators, 2010

Country	Share of manufactured trade in total trade	Share of Medium- and High-technology trade in total manufactured trade
Japan	92%	80%
Germany	87%	72%
France	**88%**	**66%**
United States of America	77%	65%
United Kingdom	80%	63%
China	96%	61%
Poland	88%	58%
Italy	92%	54%

Source: UNIDO, Competitive Industrial Performance Index.

Declining in market shares in every world's most dynamic high-technology products

France's performance in the world's most dynamic products assess its ability to quickly shift production and export structures to meet global demand. Table 4 focuses particularly on world's 10 most dynamic high-technology products. It indicates that France has been able to increase its exports of these high-tech products, with an average annual growth rate of around 6%. But this figure is far below the world average annual growth rate of 11% for these products. This means France is losing market share in every of these high-technology products, including in its areas of excellence. More precisely, France's radio-actives materials exports (SITC 716) accounted for almost a quarter of the total world exports in 2002, compared with only 12% in 2012 (world third largest exporter). Even worse, France's telecommunication equipment exports have decreased on average by almost 1% per year, while world exports were rising strongly on average by 10% per year. The decreasing share of France's dynamic exports indicates that the country is decreasingly responding to the dynamics of world demand. This should accelerate its decline on the world stage.

Table 4: France's performance in the world's 10 most dynamic high-technology products, 2002-2012

Code	High-technology product	World exports		France's exports	
		2012 Value (US$ millions)	Annual growth rate 2002-2012	2012 Value (US$ millions)	Annual growth rate 2002-2012
871	Optical instruments and apparatus	109,161	24.1%	417	9.9%
751	Office machines	51,266	16.1%	950	6.2%
541	Pharmaceutical products, except medicaments	168,463	15.1%	7,928	12.9%
718	Other power generating machinery and parts	24,966	14.1%	1,386	13.5%
525	Radio-actives and associated materials	16,135	12.1%	1,983	4.8%
716	Rotating electric plant and parts thereof	97,219	11.4%	2,929	5.5%
771	Electric power machinery, and parts thereof	92,592	11.3%	1,844	5.5%
542	Medicaments (incl. vet)	334,151	10.3%	27,691	8.2%
874	Measuring, analyzing and controlling apparatus	185,142	9.8%	7,110	6.8%
764	Telecommunication equipment and parts	521,442	9.7%	7,659	- 0.9%

Source: UNCTADstat.

3. Product diversification

Exports are diversified

France's top 15 exports are all manufactured exports, showing how much the industrial sector is important for the French economy. More precisely, France's top five exports in 2012 were aircraft/spacecraft, medicaments, motor vehicles, parts of vehicles, and petroleum oils (Table 5). These together accounted for 24% of exports in 2012, suggesting that France's exports are diversified. This helps to protect itself from weak demand in specific products.

Top exports are largely dominated by medium- and high-tech exports

What is even more remarkable is that France's areas of excellence are all medium- and high- technology exports (except petroleum oils and alcoholic beverages). France has increased its industry specialization in technology-driven industries. At the top of the ranking, aircraft/spacecraft's sector (SITC 792) has seen its exports sorely increased with an average annual growth rate of 12%, far above the world growth rate. France exports now more than the third of the total world exports and became the world first largest exporter of aircraft/spacecraft, overtaking the United States

Yet, France is globally declining on the world stage

France is losing market shares in almost every of its top exports, due to an average annual growth rate far below the world growth rate. For example, France still rank first for perfumery and cosmetics' exports (SITC 553) but has lost around 7 percentage points of its world market share between 2002 and 2012. Regarding motor vehicles (SITC 781) or telecommunication equipment (SITC 764), France's exports have decreased while world exports were growing. Thus, while France was the world fourth largest exporter of motor vehicles in 2002, France only ranked tenth in 2012.

And its top exports are relatively less dynamic

World's average annual growth rate of France's top exports (excluding the petroleum oil sector) is around 8%, while the world's average annual growth rate of all products is around 11%. This means France is specialized in sectors where the economic outlooks are more limited. Especially, at the top of the ranking, the aircraft/spacecraft sector (SITC 781) has seen its exports growing by only 4.5% per year on average. This lesser dynamic of France's areas of excellence could explain the relative erosion of France's contribution to global industry.

Table 5: France's top 15 exports, 2002-2012

Technology classification	Code	Product	World exports		France's exports	
			2012 Value (US$ millions)	Annual growth rate 2002-2012	2012 Value (US$ millions)	Annual growth rate 2002-2012
High-tech	792	Aircraft, spacecraft, etc.	169,645	4.5%	54,479	12.2%
High-tech	542	Medicaments (incl. vet)	334,151	10.3%	27,691	8.2%
Medium-tech	781	Motor vehicles	646,149	6.5%	20,177	-2.1%
Medium-tech	784	Parts and accessories of vehicles	360,448	9.0%	17,238	3.5%
Resource-bas.	334	Petroleum oils, bituminous minerals >70%oil	1,018,259	21.7%	16,126	16.2%
Resource-bas.	112	Alcoholic beverages	77,944	8.9%	15,363	7.3%
Medium-tech	553	Perfumery, cosmetics or toilet prepar.	77,704	10.6%	13,499	7.2%
Medium-tech	714	Engines and motors, non-electric; parts	93,670	5.9%	11,376	9.1%
High-tech	776	Cathode valves and tubes	555,287	8.0%	9,578	4.9%
Medium-tech	772	Apparatus for electrical circuits; panels	237,345	10.3%	9,144	6.2%
High-tech	541	Pharmaceutical products, except med.	168,463	15.1%	7,928	12.9%
High-tech	764	Telecommunication equipment and parts	521,442	9.7%	7,659	-0.9%
Medium-tech	713	Internal combustion piston engines, parts	159,303	8.3%	7,564	8.2%
High-tech	874	Measuring, analyzing, controlling apparatus	185,141	9.8%	7,110	6.8%
Medium-tech	778	Electrical machinery and apparatus	225,844	9.1%	5,981	4.2%

Source: UNCTADstat.

4. World competitiveness rankings

UNIDO's index is based on quantitative and transparent indicators

The CIP index consists of eight sub-indicators grouped along three dimensions of industrial competitiveness: the countries' capacity to produce and export manufactures; the countries' level of technological deepening and upgrading; and the countries' impact on world manufacturing. This way, the CIP index does not make any implicit normative assumptions or prescriptions at the institutional level.

And give a better rank to France

While France is among the 10 most competitive countries in the world according to the UNIDO ranking, its position is much lower in the World Economic Forum (WEF) ranking (21st) and in the Institute for Management Development (IMD) ranking (29th) (Table 6). According to IMD's Executive Opinion Survey, perceptions of France continue to be colored by slow reforms and the country's negative attitudes toward globalization. For the WEF, France's competitiveness would be enhanced by injecting more flexibility into its labor market, especially the strict rules on firing and hiring as well as the poor labor-employer relations in the country.

Table 6: Countries' ranking in the CIP index and movements across competitiveness rankings

Country	UNIDO ranking		WEF ranking	Ranking difference CIP - WEF	IMD ranking	Ranking difference CIP - IMD
	2000	2012	2012		2012	
Japan	1	1	10	-9	27	-26
Germany	3	2	6	-4	9	-7
United States of America	2	3	7	-4	2	+1
China	23	7	29	-22	23	-16
France	**5**	**10**	**21**	**-11**	**29**	**-19**
Italy	7	11	42	-31	40	-29
United Kingdom	4	14	8	+6	18	-4
Poland	33	25	41	-16	34	-9

Source: UNIDO, Competitive Industrial Performance Report 2012/2013.

Concluding remarks

French industrial competitiveness fell sharply in the last decade, as shown by its performance in the Competitive Industrial Performance (CIP). Indeed, France ranked 10th in 2012, falling by 5 spots in twelve years. This loss of competitiveness is reflected in the declining production capacities and the losing in market shares, even in its core sectors like medicaments, motor vehicles or perfumery. Yet, France remains a main industrial exporter, with a clear focus on medium- and high- technology exports. If France is doing better than the United Kingdom, its capacity to produce and export is lower than Germany, which has been more capable of standing up to competition from emerging countries. For years, France's economy outshined Germany's. Only recently did that change. Germany is now clearly a benchmark because Germany is its main customer, its main supplier, its main partner and its main competitor. Thus, more will be necessary to catch up with "innovation leaders".

REFERENCES

Competitive Industrial Performance Index (2011). *Database*. Accessed July 2014. Available at: http://www.unido.org/data1/Statistics/Research/cip.html

UNIDO (2013). *The industrial competitiveness of Nations: Looking back, forging head*. Competitive Industrial Performance Report 2012/2013. Vienna: UNIDO.

UNIDO (2013). *Sustaining Employment Growth: The Role of Manufacturing and Structural Change*. Vienna: UNIDO.

UNCTADstat (2014). *Database*. Accessed July 2014. Available at: http://unctadstat.unctad.org

Other country notes are available upon request at the UNIDO Country office in Viet Nam:

- China
- Germany
- Japan
- Republic of Korea
- Viet Nam

UNIDO VIET NAM

Add: No. 72 Ly Thuong Kiet, Hoan Kiem, Ha Noi
Tel: +84 4 3822 4490 / 3942 4000
Fax: +84 4 3942 2484
Email: office.vietnam@unido.org
Web: www.unido.org - www.un.org.vn