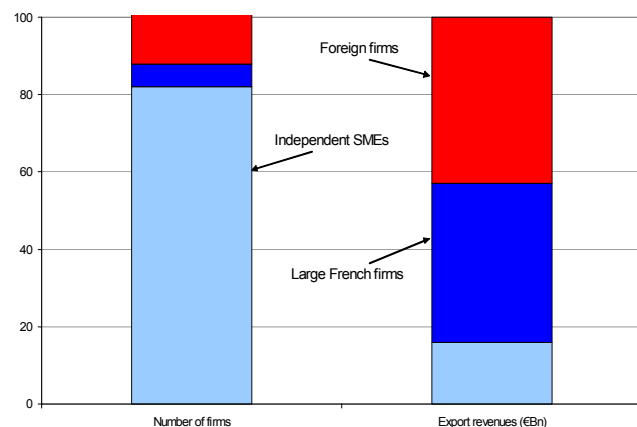


The many faces of the French export setup

- According to French Customs, some 100,000 French firms export goods, or nearly one firm in 20. This propensity to export is well below that of Germany, close to that observed in Italy, and greater than the figure for the United Kingdom and Spain.
- A very small number of firms account for the bulk of these exports, with the top thousand exporters representing 70% of total export revenues. While independent SMEs represent the great majority of firms in France's export setup (see chart below), their share of export revenues is very small. Conversely, the large, highly-international French groups, together with companies belonging to international groups installed in France, account for the bulk of French export revenues. The contrast with SMEs is especially pronounced with respect to the extent of firms' international coverage.
- The drop in the number of exporting firms in the 2000s (a fall of 9,000) is mainly attributable to independent SMEs, which tend to be small and often first-time exporters. Despite the scale of the decline in numerical terms, the firms no longer exporting in fact made only a marginal contribution to total export revenues (less than 1%).
- Generally, French SMEs are restricted in their international development by their small size and limited innovative capacity. When they export, they export to just one or two countries, generally to neighbouring countries, and 30% fail to hold onto their market for more than a year. German SMEs, which are larger and more innovative, are also bigger exporters, with exports accounting for a larger share of their total revenue, and they also export more regularly.
- Even so, a certain number of SMEs manage to take advantage of the opportunities afforded by external markets. Indeed, a third of exporting firms are independent SMEs that export regularly, i.e. for at least five consecutive years. There are several ways to achieve exporting success, as witnessed by the strong export performance of innovative SMEs and by SMEs backed by a group. An analysis of first-time exporters also shows that exporting is a multi-stage process.
- The identification of a different "populations" of exporters ought to spur the authorities to adapt the various export mechanisms to the different categories of firm, to allow for the specific difficulties they encounter depending on their legal status, size, innovative capacity, and degree of maturity in exporting to international markets.

This study was prepared under the authority of the Treasury and Economic Policy General Directorate and does not necessarily reflect the position of the Ministry for the Economy, Industry and Employment.

Breakdown of French export setup by type of firm in 2007



Sources: French Customs, Insee - Lifi, DGTPE calculations

With a widening external trade deficit since 2000, the question of foreign trade has moved to centre stage in the economic policy debate in France. Yet, as P. Artus and L. Fontagné showed in a report to the *Conseil d'Analyse Économique* (Economic Analysis Council, or CAE) in 2006,¹ the traditional determinants of export performance, namely price competitiveness and global demand for French goods and services, "only partially explain the difficulties our external trade is encountering, and in

particular cannot explain the export performance gap between France and Germany."

A more recent CAE report (September 2008), by L. Fontagné and G. Gaulier,² shows that any understanding of France's export performance, particularly by comparison with Germany, entails an examination of microeconomic factors, especially those connected with the structure and development of its export setup. Against this background, this study seeks to identify the strengths and weakness of France's export setup.

1. French exporters are highly concentrated

1.1 Roughly one firm in 20 exports

As was shown in 2006,³ only a small number of French firms export. In 2007, according to Customs sources, nearly 100,000 firms contributed to French exports of goods, or fewer than 4% of the 3 million firms recorded by INSEE on French soil for that year. However, these figures are not exhaustive and concern only trade in goods. INSEE, which in particular tracks small exporters to the European Union as well as exporters of services, recorded a larger number of exporters, i.e. 170,000 firms (in 2007), representing 6% of French firms. Export revenues for all French firms are close to 15% of their total revenues.

Comparison with France's main partners confirms Germany's clear dominance as an exporting powerhouse. While there is a far greater propensity to export than in France, with nearly 350,000 exporting firms, or 11% of all German firms,⁴ Germany is an exception. It also owes its leadership to the relative importance of industry in its economy, as this sector exports a greater proportion of its output than services. In Italy, there is a larger number of exporters and firms' propensity to export is slightly greater than for France (with 200,000 exporters, representing a ratio of 5%⁵), whereas this propensity is smaller in Spain (with 100,000 exporters, or 3%) and above all in the United Kingdom (with 80,000 exporters, or 2%) and the United States (with 250,000 exporters, also 2%).

1.2 A small number of firms account for the bulk of exports

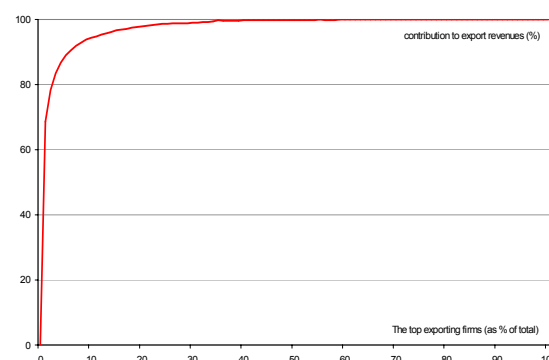
In terms of size, the vast majority of exporting firms are SMEs, with 98% of them having fewer than 250 employees, as is the case with France's main partners (98% in Germany, 99% in Italy, and 95% in the United States). According to INSEE, most exporting firms are indeed very small businesses, as 81% of them, i.e. more than four out of five, have fewer than 20 employees, and 69% actually have fewer than 10.

Some of these SMEs are independent, while others belong to a French or foreign group. The independent (French) SMEs account for the great majority (81%, see chart, p.1) of France's export setup, but their share of export reve-

nues is limited to 16%. Firms belonging to French groups account for "only" 6% of the export setup but for 41% of export revenues, while the 13% of exporting firms classified as "foreign firms" account for the largest share of export revenues (43%).

To sum up, as Chart 1 shows, a very small number of firms account for the bulk of exports: the top 1,000 exporters generate 70% of export revenues. There has been little change in this extreme concentration of France's export setup in recent years.

Chart 1: Concentration of the French export setup in 2007



Source: French Customs, DGTPE calculations

Interpretation: The top 10% of exporters, or nearly 10,000 firms, generate 94% of total French export revenues.

NB: The top ten exporters in 2007, i.e. Airbus, PSA Peugeot-Citroën, Renault, Sanofi, STMicroelectronics, Total France, Dassault Aviation, Esso, Schneider Electric and ArcelorMittal, account for 16% of the total.

1.3 Firms in the manufacturing sectors are the main contributors to export revenues

In terms of the main activity of exporting firms, 41% of exporters, or 2 exporting firms out of 5, are in the trade sector (see Chart 2), but they account for 21% of export revenues (see Chart 3). Industry accounts for a minority (31%) of exporting firms, but is very heavily predominant in terms of revenues (71%). A significant number (7%) of firms belong to the agricultural sector, but their contribution to revenues is marginal (0.4%). The same goes for construction and, to a lesser extent, to non-trade services.

(1) "Évolution récente du commerce extérieur français" (Recent Trends in French Foreign Trade), Patrick Artus, Lionel Fontagné, *La documentation française*, 2006.

(2) "Performances à l'exportation de la France et de l'Allemagne" (Export Performances of France and Germany), Lionel Fontagné, Guillaume Gaulier, *Rapport du Conseil d'Analyse Économique*, 2008.

(3) "Structure et comportement des entreprises exportatrices françaises" (Structure and Behaviour of French Firms), Nila Ceci, Bruno Valersteinas, *DPAE no. 102, mars 2006*.

(4) 2005 data; source Institut für Mittelstandsforschung, Bonn. Given the nature of the data, these 11% should be compared with the INSEE ratio of 6%.

(5) These 2006 data collected by the DGTPE's international network should, rather, be compared with French Customs data showing 4% of exporters.

Chart 2: Breakdown of exporting firms by sector of activity (as % of total)

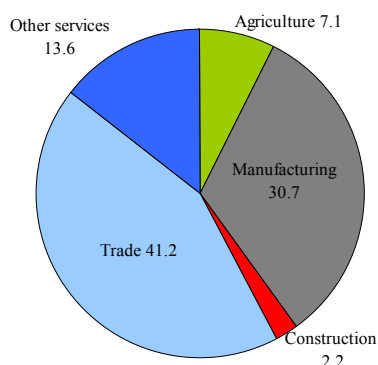
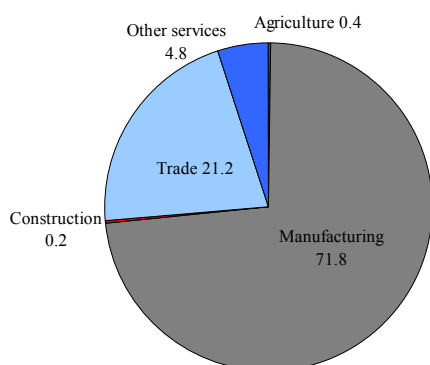


Chart 3: Breakdown of revenues of exporting firms by sector of activity (as % of total)



Source: French Customs

Generally speaking, most of the goods exported by French firms are manufactured goods (82% in 2008), while agri-food products and energy products account for 10% and 6% of goods exported. Exports of manufactures consist primarily of intermediate goods (31% of exports) and producer goods (24%), well ahead of consumer goods and the automotive sector (15% and 11%, respectively).

2. French SMEs are not sufficiently export-oriented

As emphasised by L. Fontagné and G. Gaulier in their latest CAE report, France's mediocre export performance in recent years is primarily attributable to the performance of the large exporting firms. And, according to the report's authors, the weak performance of the SMEs has failed to compensate for the large firms' poor results.

2.1 The number of exporters has fallen considerably since the beginning of the 2000s

After rising steadily in the 1990s, the number of exporting firms has been falling since 2001,⁶ with a particularly pronounced decline between 2002 and 2005 (see Chart 4). In all probability this downward trend continued in 2008 (down 3% relative to 2007, according to French Customs' very provisional data).

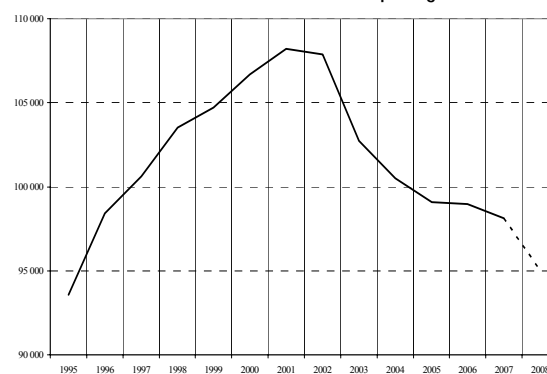
1.4 The large share of firms whose main activity belongs in the trade sector underlines the use made by many small businesses of an intermediary in order to export

Figures for the trade sector shed a different light on the low number of exporting firms. Even though many of these firms – and virtually all of the top 100 exporters in this category – are in fact trade subsidiaries of manufacturing firms. Others specialise in international trade and act as intermediaries, handling the export formalities and procedures for other firms. Consequently, if we count all of the firms that export solely via an intermediary (bearing in mind that this information is not available), and which therefore do not show up in the French Customs database, the actual number of exporters would be materially greater than the 100,000 currently recorded by French Customs. The share of the trade sector is stable. In any case, this bias towards trade intermediaries also occurs in other countries' statistics.

Moreover, while two out of five exporters come from the trade sector, these firms account for only one fifth of total export revenues. The ratio falls to less than a tenth if one excludes from this population of 40,000 firms the top 100, which we are certain do not belong in the international trade sector (in the sense of firms specialising in this activity and that may act on behalf of more than one client). The average export revenue of trade firms is therefore very small compared with the other exporters. Consequently, we may reasonably assume that firms specialising in international trade tend rather to act on behalf of small and very small businesses that have neither the resources nor the means to handle their foreign sales unaided.

Above all, the trade sector acts as an intermediary for exports of non-manufactured goods, handling the bulk of exports of agricultural products (78%), one third (30%) of exports of agri-food industries' products and those of energy products. But it handles only a small proportion (17%) of exports of manufactured goods.

Chart 4: The number of French exporting firms since 1995



Source: French Customs

The decline in the total number of exporters (by around 9,000, or –8%, between 2001 and 2007, see Table 1) primarily affected independent SMEs (–12,000), while the number of firms belonging to large French groups,

(6) "Les opérateurs du commerce extérieur: année 2008, résultats provisoires" (External trade operators: 2008, provisional results) *French Customs, February 2008*.

while the number of foreign owned firms grew by around 3,000 over the period. The firms that have "exited" the scope of the exporting setup are generally small independent SMEs, often first-time exporters (i.e. firms that had never before exported).

Table 1: Change in the different types of exporters between 2001 and 2007

Type of exporter	2001	2007	Change
Independent SMEs	92,000	80,000	-12,000
Firms belonging to French groups	6,000	6,000	0
Foreign firms	9,000	12,000	+3,000
Aggregate	107,000	98,000	-9,000

Sources: French Customs, Insee, DGTPE calculations

This drop in the number of exporters is substantial insofar as it highlights difficulties some types of firm encounter in selling abroad. However, the impact of this decline in export terms would have been very limited from a macroeconomic point of view, since the export revenues of the firms that have dropped out doubtless were no more than 1% of total export revenues over the period as a whole, bearing in mind the characteristics of these firms.

At the same time, independent SMEs' share of export revenues remained stable at 16%, reflecting a significant rise of 34% relative to 2001 in their average export revenues. This confirms that the export revenues of those SMEs that no longer export were very limited.

2.2 The turnover among independent SMEs is very rapid

Generally speaking, there is a high rate of turnover among French exporters, with 30% of exporters in any one year ceasing to do so in the following year. This mainly concerns the independent SMEs, among which there is a one in three turnover rate, versus 18% among firms belonging to French groups.

However, these "one-time" independent SMEs contribute only marginally to total export revenues (9% of export revenues for all SMEs, and just 1% of total export revenues). So there is a considerable difference between SMEs that export regularly and one-time exporters. These figures have changed little in recent years.

2.3 They export to few countries...

Independent SMEs export to few countries - four on average, compared with thirteen for firms belonging to French groups. This figure is an average value derived from the fact that some firms export to a large number of

countries. In actual fact, half of the independent SMEs export to a single country only, compared with a quarter for French groups, and 63% of them export to two countries at most.

2.4 ...located for the most part in Western Europe, and rarely in the emerging regions

Independent SMEs export mainly to markets that are nearby and part of Western Europe. Nearly half of them (see Table 2) serve these markets, as compared with 39% of foreign firms and 35% of French groups. Moreover, the special attractiveness of Belgium and Switzerland, to which the independent SMEs are twice as inclined to export than other categories of firms, confirms a clear preference for exporting to the markets that are geographically and culturally closest. One reason why foreign firms are more heavily oriented than French groups to western European markets is that many of them belong to European groups established in a number of countries in Europe, and that much of the exporting concerned involves intra-group trade. There is a slightly greater propensity among SMEs than among other types of firm to export to North Africa. The geographical, cultural and linguistic proximity of these markets makes them easier to penetrate, including for the independent SMEs. The cultural and commercial proximity of North America, to which the SMEs are more inclined than other types of firm to export, compensates for geographical distance.

On the other hand, the independent SMEs show little inclination to export to more distant emerging countries. Only a quarter of them export to these countries, versus around 40% for the other categories of firm. It is harder for small firms to gain access to these markets if they are not part of a group. Finally, the independent SMEs often show a preference for exporting to a particular region. For instance, those that export to Sweden are more likely than other firms to export to Sweden's neighbours. The small size of French SMEs is another factor limiting their propensity to export, to distant regions especially.

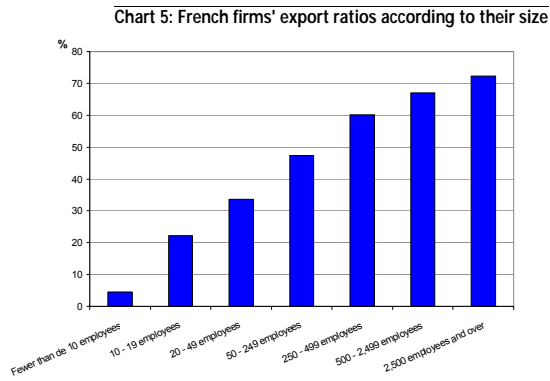
2.5 The small size of French SMEs limits their propensity to export, to distant regions especially

Generally speaking, the propensity to export rises with the size of the firm. While it is very low for micro businesses (less than 5% for firms with fewer than ten employees, see Chart 5), it rises to 60% for firms with 250 employees and over, and exceeds 70% for very large firms (2,500 employees and over).

Table 2: Geographic orientation of exporters in 2007 (share in %)

Geographical region	Independent SMEs	French group	Foreign firms
Western Europe	47	35	39
Near emerging countries	13	13	14
<i>of which new EU member states</i>	7	9	9
<i>of which North Africa</i>	6	5	5
Distant developed countries	13	11	11
<i>of which North America</i>	6	4	4
Distant emerging countries	27	41	36
Total	100	100	100

Sources: French Customs, Insee, DGTPE calculations

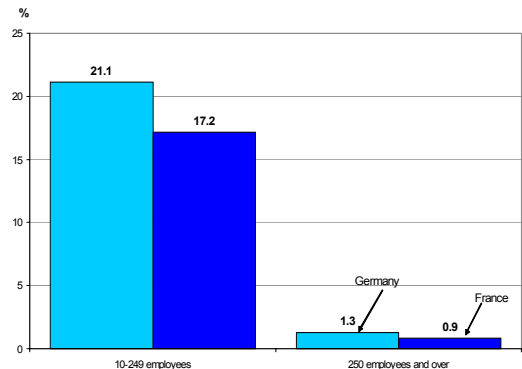


Source: Insee - Suse 2006

It is interesting to compare French and German industrial firms, from this standpoint. This is because the proportion of micro businesses is higher in France than in Germany (respectively 82% and 77%, see Chart 6). Conversely, there is a higher proportion of "large" industrial SMEs in Germany⁷ than in France. There are reportedly around 4,000 firms in Germany with more than 250 employees, and half as many in France. These suggest that the French industrial fabric is somewhat handicapped when exporting, by comparison with Germany, especially to distant regions. An earlier study⁸ had empirically established at

around 100 employees the critical size starting from which a firm can export to distant emerging countries without encountering difficulties related to its size.

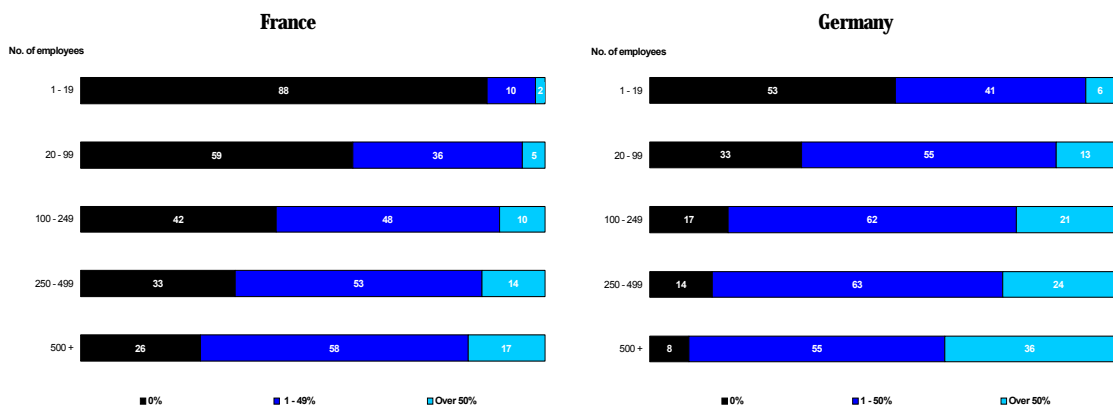
Chart 6: Breakdown by size of industrial firms with more than 10 employees in France and Germany



Sources: Insee (2006 data), Destatis (2005 data)

But size does not explain everything between France and Germany: for a given size, the propensity to export and the export intensity (i.e. export turnover as a percentage of total revenue for exporting firms) of French firms is less than for their Germany counterparts (see Chart 7).

Chart 7: Percentage share of export revenues of French and German firms, by size (Scope: industry, construction and public works, trade, business services)



Source: Insee-Suse (2004 data)

Source: BDI-Mittelstandspanel, Institut für Mittelstandsforschung, Bonn (2004 data)

Interpretation: 88% of French very small businesses (fewer than 20 employees) do not export, compared with 53% for Germany.

The lead enjoyed by German firms, and especially German SMEs, in terms of innovation,⁹ as measured in particular by R&D spending or patents filed with the European Patent Office, together with other components of "non-price" competitiveness in favour of German businesses (such as quality and reputation effects, the involvement of management in sales activities, after-sales service, etc.), all help

to explain the export performance gap between the two countries' firms, independently of size.

No doubt the fact that German businesses are highly familiar (including from a linguistic standpoint) with selling abroad contributes to this performance gap between the two countries.

(7) "Die Bedeutung der Aussenwirtschaftlichen Aktivitäten für den deutschen Mittelstand", Institut für Mittelstandsforschung, Bonn, 2007.
 (8) DPAE no. 102, March 2006.
 (9) "Dossier Innovation et niveau technologique des entreprises industrielles françaises" (A study of innovation and the technological level of French industrial firms), Insee, Rapport sur les comptes de la nation en 2005 (Report on the National Accounts in 2005).

3. Some models of exporting SMEs

3.1 Innovation: the exporter's trump card

According to Oseo, one French SME in twenty exports, but this figure is one in two for "innovative" SMEs.¹⁰ Innovation is viewed as a key asset enabling SMEs to export more, regardless of the industrial sector to which the SME belongs. Comparison with Germany is interesting in this regard. As we have seen, German SMEs have a significantly greater capacity to innovate than their French counterparts. These have won market share in recent years in market niches for industrial products with a high technological input.

This aspect should serve to encourage the French government in its efforts to boost business spending on R&D and innovation. The reform of the French research tax credit (*Crédit Impôt Recherche*), designed to support spending by businesses on R&D in order to bolster their competitiveness, is a step in this direction.¹¹ This reform is expected to yield significant benefits in the coming years.

3.2 SMEs that are part of a group are better export performers

Not all exporting SMEs are independent: 15,000 of them belong to a French or foreign group. They therefore represent 15% of the export setup but account for 28% of total export revenues, or more than two-thirds more than the 80,000 independent SMEs. They far outperform their independent "counterparts", consequently.

These SMEs also export more regularly than the independent SMEs. They have twice as many client countries, with an average of eight, compared with four for the independent SMEs, with only a third of them selling to only a single client country, versus one half for the independent SMEs.

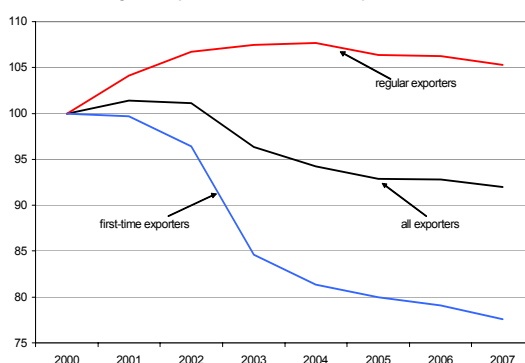
This superior performance is understandable. SMEs that are part of a group can draw on the group's shared resources and its export support network. Also, they innovate more than the independent SMEs,¹² further enhancing their exporting capabilities.

As many SMEs as possible need to be given the ability to draw on the powerful exporting resources built up by a group. "Piggybacking" is one very worthwhile mechanism that the French government is considering improving and developing in order to support firms wishing to export.¹³ This involves providing SMEs with the benefit of the international experience acquired by the large French groups.

3.3 Regular exporters are the hard core of the French export setup

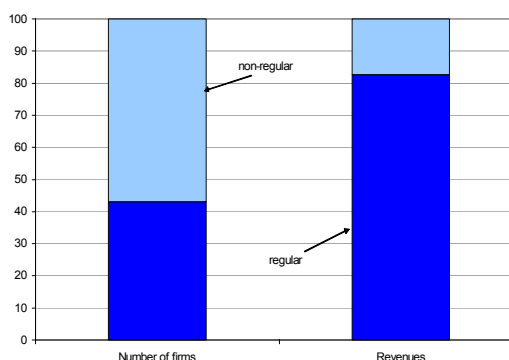
Although the number of exporters has trended downwards since 2001, the number of regular exporters, i.e. that export each year,¹⁴ is roughly stable (see Chart 8).

Chart 8: Comparative trends in the total number of exporting firms, regular exporters and first-time exporters (base 100 = 2000)



The share of independent SMEs among regular exporters is slightly lower than for all exporters (78% versus 82%), less than one independent SME in two being a regular exporter (see Chart 9). But these 35,000 "regular" independent SMEs account for the bulk (83%) of the export revenues of independent SMEs, contributing 13% of total French export revenues, versus only 3% for the "non-regular" independent SMEs. The "regular" exporting independent SMEs are therefore the hard core of exporting independent SMEs.

Chart 9: Breakdown of independent SMEs, regular and otherwise



Source: French Customs, Insee, DGTPÉ calculations

The "regular" independent SMEs export to a large number of countries (seven on average, versus two for those that do not export regularly). A quarter of the "regular" independent SMEs export to a single country, as is also the case for French groups, compared with three quarters of the "non-regular" SMEs.

Size remains a key factor in order to be an exporter over the long term. Indeed, there are few very small businesses among the regular exporters, i.e. 34%, versus 62% among "non-regular" exporting firms.

(10) "PME et innovation technologique: pour une relation plus naturelle" (SMEs and technological innovation: for a more natural relationship): *Oseo, regards sur les SMEs, n°10, 2ème trimestre 2006*. In this study, the term "innovative" applies to SMEs that engaged in technologically innovative activities on a product, service or process over the period 1998-2000. The scope of the study covers SMEs with more than 10 employees (in services) or 20 employees (in industry).

(11) "The economic impact of the 2008 research tax credit reform (*Crédit d'Impôt Recherche*)", Paul Cahu, Lilas Demmou and Emmanuel Massé, *Trésor Economics, no. 50, January 2009*.

(12) *Oseo, regards sur les SMEs (A look at SMEs), no. 10, 2ème trimestre 2006*.

(13) See www.exporter.gouv.fr for additional information on French government measures to support firms wishing to export from France.

(14) The criterion is at least exporting for at least five consecutive years.

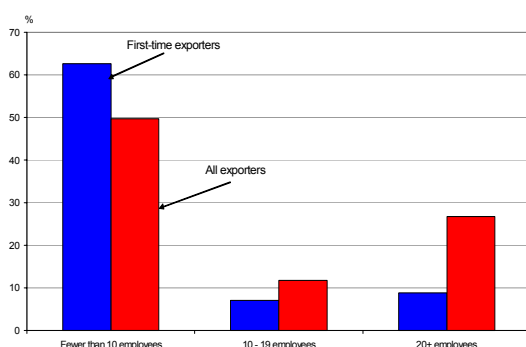
These "regular" independent SMEs feature prominently in the French system of support for exporters, which comprises a range of procedures aimed at SMEs. Among SMEs, these are the ones that "count" in terms of export revenues and hence in terms of overall results, especially when it comes to qualifying the trends displayed by the large French groups. A key priority for the French system of support for external trade is to identify these firms and to help them extend their reach, especially to the less accessible, but very fast-growing emerging countries.

3.4 "First-time" exporters, tomorrow's exporters

There were 19,000 first-time exporters in 2007, representing 20% of all exporters, but they account for only 1% of total export revenues. Their number has declined by 6,000 since 2001, the proportion (-22%) being far larger than that for all exporters (-9%, see Chart 8).

The first-time exporters are smaller than the other exporters (63% are micro-businesses, versus 50% of all exporters, see Chart 10). Conversely, the share of other types of firm (large firms and medium-sized SMEs) is smaller than for the whole population. Consequently, the bulk (84%) of first-time exporters are small independent SMEs.

Chart 10: Breakdown of first-time exporters by size in 2007 ¹⁵



Sources: French Customs, Insee, DGTPE calculations

4. Horizontal policies to boost competitiveness play a vital role in expanding exports and should be completed by policies to provide support geared to the needs of the different types of exporting firms

As we have seen, the French exporting setup is highly diversified. To sum up, we can distinguish firms belonging to a French or foreign group, which are France's champions abroad (in terms of both exports and investment), from independent SMEs, whose contribution to exports is distinctly more limited. Among these SMEs, however, a further distinction needs to be made between "regular" exporters, the "hard core" of exporting SMEs, and those that are not "regular" exporters. The latter's contribution is marginal.

Several studies have highlighted the value of a policy of support for exporting firms, based especially on imperfect competition models.¹⁶ The 2008 CAE report concludes by urging policymakers to focus instead on policies helping to make SMEs more productive, more innovative, larger, and more efficient. It acknowledges the usefulness of direct export subsidies, but it argues that horizontal competitiveness-boosting policies should take precedence. Concerning support for firms, the report proposes

The success rate of first-time exporting independent SMEs in 2006 is low, since only 36% of these firms exported again in 2007. Among those that continued to export, there was a high proportion (77%) of very small businesses, but the figure was in retreat, and a higher proportion of larger firms maintained their export activity. Size is a decisive factor in the success of these first-time exporters.

The first-time exporting independent SMEs export to two countries on average, which is half as much as for all independent SMEs, and practically all of them (84%) export to only one country, compared with half of the independent SMEs. This suggests that newly exporting firms start by selling their products to a single client country, generally nearby (e.g. Europe and North Africa), before expanding their exports to other countries. Among these firms, those that continue to export in the following year again export to two countries, on average, but the share of single-country exporters declines significantly (69%, instead of 84%).

Given the very gradual way in which firms approach exporting, the French government should reserve special treatment for this population of first-time exporters. That is because this population of firms is the source of tomorrow's larger, more regular exporters. The priority, therefore, should be to help these firms to export on a long-term basis, and to consolidate their commitment to doing business abroad. Even further upstream, it is also important to encourage more firms that currently sell only at home but with international potential to start exporting.

the elimination of policies aimed at supporting firms embarking on their first (usually European) export market. Seen as a mere widening of the French domestic market, the European market will not, it argues, enable firms to boost their productivity, and will not therefore act as a springboard for other, more distant, faster-growing markets. The authors recommend, rather, that assistance should be given to medium and medium-large sized exporters, notably to help them penetrate markets outside Europe.

Yet empirical data confirm the difficulties encountered by SMEs in exporting, even to markets very close to home. In France, less than one SME in twenty exports, and when it does export, one in two exports to only a single market, and nearly one in three fails to hold onto its market the following year. Even when exporting to nearby countries, the obstacles are considerable. The reason for this is the persistence of "frontier effects", resulting in particular from fixed export costs caused by market imperfections,

(15) Firms for which the number of employees is unknown are not shown on the chart.

(16) For example: "La mondialisation n'est pas coupable : vertus et limites du libre échange" (Globalization is not to blame: the virtues and limitations of free trade), Paul Krugman, *La Découverte*, 1998, and "Export subsidies and international market share rivalry", James Brander and Barbara Spencer, *Journal of International Economics*, 1985, Vol. 18.

even within an integrated area such as the European Union.¹⁷ For a small independent French SME, it is much "easier" to sell its products to a customer in a different part of France than to sell them to a foreign customer.

If it was a simple matter to export to nearby countries in Western Europe, the firms concerned ought to be selling in several of them and to have no difficulty holding onto these markets. But that is not the case. Government intervention to support firms seeking to export, aimed at jump-starting the process and helping to perpetuate it, may thus be seen as especially justified in the case of SMEs.

For an SME exporting for the first time, it is important, in the initial phase of expanding abroad, to test its market, first in one and then in several nearby and "easily accessible" markets before venturing further afield. It would be

perfectly worthwhile providing support to these firms in nearby markets (i.e. markets close to France, or in North Africa), thereby enabling them to build a larger and more sustainable clientele.

To conclude, export support policies can be effective for all categories of firm. On the other hand, support mechanisms need to be adapted to the different populations of firms and their specific problems and needs. As this study has shown, the population of exporters is heterogeneous and complex, and the system of government subsidies available is designed to address the diversity of the "publics" concerned.

Raphaël CANCELÉ

Methodology

1. The scope of the export setup

Exporting firms, here, are firms that declare exports to French Customs. Exports above a specific threshold must be declared, the threshold varying depending on the country of destination:

- If the country of destination is not in the EU, all exports above €1,000 or 1,000 kilograms must be declared.
- In the case of intra-Community trade, firms are required to declare their exports only if the annual total of their intra-EU exports exceeds a given threshold. This threshold has risen significantly in recent years, from €38,100 per year between 1993 and 2000, to €99,000 in 2001, then to €100,000 per year between 2002 and 2005, and finally to €150,000 since 2006.

For the sake of consistency over time, we have opted to filter the exports of firms whose total annual exports to EU countries falls below this threshold of €150,000 per year throughout the period studied. This filter, which is high, is not applied to the Geocharts results in order to limit the bias between intra and extra-Community data, without eliminating it altogether.

Among declaring firms, only those present in the "Palmares" database published each year by French Customs are recorded. Thus we retain only those forms listed by Insee in the "Sirene" database, excluding those firms that have declared an abnormal "Siren" identifier or one unknown to Insee.

2. The distinction between independent SMEs, large French firms and foreign firms

"Independent SMEs" are separated from SMEs that are subsidiaries of French groups or foreign firms. This is because membership of a group gives a firm access to export resources and support not available to independent firms of equivalent size. Only firms more than 50%-owned by a French or foreign group are treated separately. SMEs organized in micro-groups (i.e. groups with a total of fewer than 500 employees) are treated here as independent SMEs.

By convention, firms with an unknown number of employees are classified here with the SMEs (independent or otherwise). In other words, their unknown work force is assumed to be less than 250. It is reasonable, after all, to suppose that exporters whose work force is unknown are more likely to be small firms. Indeed their export revenues are below those of the independent SMEs.

"French groups" are French firms with more than 250 employees and include both French public and private-sector groups, together with subsidiaries of all sizes of French groups employing more than 500 people (according to the majority control criterion, i.e. more than 50%-controlled). "Foreign firms" refers to French firms more than 50%-controlled by foreign firms (according to the majority control criterion).

(17) "Effet frontière, intégration économique et forteresse Europe" (Frontier effect, economic integration and fortress Europe), Keith Head and Thierry Mayer, *Économie et Prévision*, no. 152-153, 2002.

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