

STRASBOURG CONSULAR DISTRICT

A. INTRODUCTION

The Strasbourg FCS/Consular District covers the northeastern part of France, which includes ten departments in three regions: Alsace, Lorraine, and Franche-Comté.

Bordering Germany, Luxembourg and Switzerland, these regions have a total population of 5,161,580 inhabitants, a large percentage of whom are multi-lingual. These two factors explain the significant number of cross-border workers estimated at more than 102,000 in 2002.

While the district is geographically small, it enjoys a vigorous industrial economy, supported by large corporations, including Peugeot, Alstom, De Dietrich, Smart, GM, Dow, and Lilly. Key sectors include metallurgy, chemicals, pharmaceuticals, biotechnologies and agribusiness in Alsace, heavy industries, telecommunications and food processing in Lorraine and microtechnics in Franche-Comte.

B. ECONOMY

The FCS Strasbourg District is third to Paris FCS District in France in the industrial base covered. Each of its three regions contains major industrial centers. The consular district's unemployment rate of 8.3% (average for the three regions in the second quarter 2003) remains one of the lowest in France, although it increased by 0.4% over the last **six** months. This trend is mostly due to the present economic recession of Germany, the first trade partner of Alsace. With a diversified export oriented economy, the three regions of the district rank as major exporting regions. Small and medium-sized companies constitute the economic base of the area.

* **ALSACE:** Though one of the smallest regions in France, Alsace ranks among the most dynamic and wealthiest. With 30 percent of the active population employed in industry, Alsace remains the third most industrialized region of France. The decline of traditional industries (textile, clothing, and paper) has been compensated by numerous high technology industries, chemical industries, automotive industries (concentrated in mechanical engineering, plastics, precision instruments, machine-tools), biotechnology and electronics. The pharmaceuticals industry, while more recent, has shown impressive results. The largest firms include Lilly France and Capsugel. Alsace also maintains an important agri-business base. It is the only region in France that produces wine, beer and schnapps. The unemployment rate of around 7.6% in the second quarter 2003 still ranks among the lowest in France (9.5%).

* **LORRAINE:** Heavy industry has predominated in Lorraine, especially traditional coal mining and steel. Lorraine's steel and iron production, which faced a dramatic

decrease over the last ten years, has become the most competitive in Europe due to considerable rationalization and modernization. The remaining coal mines, which represented 70 percent of the total French production in 1995, are expected to close by the year 2005. The decline of Lorraine's heavy industries has been partly compensated by the arrival of numerous high technology industries including electronics, telecommunications, lasers and biotechnology. Thus, Lorraine has the lead in laser technology with the most powerful laser in the world (a 45KWh laser) installed in Thionville. Other key industries include timber-paper, food-processing, and glass. Lorraine is well known for its prestigious manufacture of stringed instruments, lead-crystal and glass (i.e. Daum, Baccarat, Cristalleries de St Louis). The agricultural sector (foodstuffs) continues to be an important segment of the regional economy. **Lorraine's unemployment rate of 9.3% in the second quarter 2003 quickly reached the national average of 9.5%.**

* FRANCHE-COMTE: Franche-Comte's record as France's premier microtechnics producer stems from its traditional know-how in watch-making and eyeglasses. Major industries are concentrated in manufacturing, engineering and subcontracting. Key sectors include heavy machinery, automotive products, clocks and watches, optical equipment, pipes and microdental surgery equipment. Largest employers include Peugeot and Jec Alsthom (world leader in the manufacture of gas turbine and of high-speed trains). Agriculture (especially dairy products) remains an important component of the regional economy. Franche-Comté's unemployment rate of **8% in the second quarter 2003**, remains below the national average.

C. AMERICAN PRESENCE

More than 190 U.S. controlled facilities operate in the Strasbourg District, with the largest number in Alsace (52%), followed by Lorraine (31%) and Franche-Comté (17%). They generate jobs for almost 52,000 people. These companies are scattered throughout the district, with many located in and around the major urban centers. Major U.S. subsidiaries include GM/Powertrain, Eli Lilly, Masterfoods, Rohm and Haas, Steelcase, and Dow Agrosciences around Strasbourg; Timken, Wrigley, Dupont de Nemours, ITT and Capsugel in the Colmar area; Trane and Tailor in Vosges; Allied Turbo and Delco Remy in Meurthe et Moselle. Overall, Lorraine and Alsace are the leading French regions for foreign investments.

D. RESEARCH & DEVELOPMENT

With over 15,000 scientists and researchers, the Strasbourg district also hosts about 14 percent of the total French scientific resources. Research focuses mainly on biology, biotechnology, pharmaceutical products, image processing, lasers, photonics, chemistry, and car materials. There is a considerable cross-border cooperation in R & D, particularly in biotechnology, with the Biovalley initiative, a biotechnology pole located in the

trilateral region of the upper Rhine (Switzerland/Basel area), South Baden (Germany/Freiburg, Karlsruhe), and Alsace.

Alsace is a cornerstone of the Golden Triangle of European research. Together with the Basel area of Switzerland and Baden-Wurtemberg locale of Germany, Alsace boasts the highest concentration of research capabilities in Europe. Strasbourg is one of France's most promising and booming scientific centers: firms specialize in automatic regulation, plastic money or satellite tracking, as well as laboratories. Alsace has several specialized engineering schools and institutions of higher education and training including the University Louis Pasteur, the European Higher Institute of Biotechnology of Strasbourg, the National Institute of Physics, the Institute of Genetics and Molecular and Cellular Biology, the Institute for Research on the Digestive Systems (IRCAD), and the International Space University.

E. FOREIGN TRADE¹

The U.S. is one of the most significant commercial partners for the Consular District, with trade especially in automobile and medical equipment, chemicals and biotechnologies.

As an importer of goods and services from the United States, the district purchased \$ 2.28 billion in 2002, or 6% of its total foreign imports (8.05% of foreign imports for Alsace, 2.41% for Lorraine and 7.9% for Franche-Comte). The United States is the **third** largest supplier of goods to Alsace, the eight largest to Lorraine, and the fifth to Franche-Comte. Foreign trade exchanges remain primarily targeted at neighboring countries, notably with Germany being far and away the most important trading partner. Imports from the U.S. include automotive equipment, computers and business equipment, software, medical equipment, electronic components, instrumentation, and building materials.

Exports to the U.S. are essentially transportation equipment (TGV, automobile equipment and parts), chemical products, measuring and analytical instruments, precision machines, optical equipment, and agri-business. These exports totaling \$ 1.58 billion in 2002, represent in Alsace, Lorraine and Franche-Comte, respectively, 3.88%, 1.94% and 4.10% of the total exports (or 3.2% of the total exports of the district).

¹

in USD billion

2002	Alsace	Lorraine	Franche-Comte
Total imports	19.99	13.71	4.29
Imports from U.S.	1.61	0.33	0.34
Total Exports	21.93	17.02	9.75
Exports to U.S.	0.85	0.33	0.40

Source: www.commerce-exterieur.gouv.fr

F. BEST PROSPECTS

In Alsace, overall best prospects for U.S. companies include advanced electronics such as medical and industrial electronics, and electronic circuitry. In Lorraine, telecommunications (the audio-visual branch), and the laser industry are the sectors whose prospects appear the best for American companies. In Franche-Comte, the best opportunities include medical equipment (analysis equipment), and chemical products.

The automotive industry remains the major pole of development in the Strasbourg district, because of its location in the upper Rhine area covering France, Germany and Switzerland. This area includes over 20 manufacturing plants in this industry. In Alsace and Lorraine, the automotive sector represents respectively 15 percent and 13 percent of the industrial companies. Three of the largest employers in the Strasbourg district are Peugeot with 11,000 employees, Powertrain/GM with 1,800 employees and Smart (Mercedes) with approximately 1, 200 employees. The region's real strength lies in its proximity to other automotive production centers. Within a 100-mile radius are manufacturing plants of Citroen, Renault, Peugeot, Mercedes-Benz, Porsche, Ford, BMW, creating an additional market for manufacturers of auto parts and a basis for establishing new firms in Alsace and Lorraine to serve it.

For further information U.S. firm interested in business opportunities in the North East of France should contact:

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