



France welcomes talent and investment



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“FRANCE
WELCOMES
TALENT AND
INVESTMENT”

Foreword



In the global competition to attract long-term foreign investment, countries boasting a diverse, comprehensive industrial base and “attractiveness mix” that are committed to the knowledge economy and sustainable development stand apart from their peers.

This is the path that France has chosen, through its active pursuit in recent years of economic reforms and the launch in 2010 of a “National Investment Program”, providing €35 billion of funding to stimulate value creation in higher education, research, industry, the digital economy and clean technologies.

France’s decisions to consolidate its innovation clusters, reform its universities and reaffirm its commitment to the research tax credit, alongside the abolition of the local business tax, all serve the same purpose: to strengthen the competitiveness of businesses in France and to stimulate innovation in strategic sectors.

By doing this, France is conforming to the expectations of international investors seeking outstanding locations in Europe, providing them with a skilled, productive workforce, efficient infrastructure and government services, and a market with a strong demographic at the heart of the euro zone.

Since certain clichés can prove hard to dispel, this document has been produced to correct such all-too-frequent discrepancies between perception and reality. Did you know, for example, that for the last two years France has been the leading country in Europe for the number of foreign investments in industry? Or that France continues to welcome an average of 15 new job-creating investments from foreign investors every week?

As such, I trust that this document will provide both potential foreign investors and all ambassadors promoting France’s attractiveness with the latest data and figures depicting France today: a competitive country with a global outlook, committed to preparing its future.

David Appia
Ambassador for International Investment,
Chairman and CEO, The Invest in France Agency

A BUSINESS-FRIENDLY ENVIRONMENT

France is pursuing
fundamental reforms and
investing in its future

Reforms enhancing enterprise and competitiveness

The French government has been pursuing a series of economic reforms in recent years. From the Economic Modernization Act (August 2008), adopted to facilitate enterprise and stimulate competition, to the “National Investment Program”, launched to meet the twin challenges of the knowledge economy and sustainable growth, France has remained steadfastly committed to increasing France’s attractiveness to investors.

A TAX SYSTEM PROMOTING COMPETITIVENESS

Two key tax measures were adopted in 2010:

- Abolition of the local business tax on productive investments (January 1, 2010). Thanks to this measure, companies in France will save €6.2 billion in local business tax a year from 2011 onwards.
- Funding was retained for France’s flagship research tax credit, which remains the most attractive in Europe (see page 20).

These measures follow other important tax reforms adopted since 2008:

- **Income tax exemption** for expatriates on up to 50% of their total income (see page 13).
- **Green taxation** to support the growth of green businesses: a sustainable development tax credit and interest-free loans for household energy improvements (see page 16).
- **Abolition of former business taxes:** the Stock Exchange Tax (*impôt sur les opérations de bourse*), which affected stock market traders, and as from 2014, the Annual Fixed Tax (*imposition forfaitaire annuelle*), indexed to turnover.

ENCOURAGING COMPETITION

- Deregulated price negotiations between suppliers and distributors.
- Measures to promote more special offers and clearance sales.
- Greater flexibility to set up hotels and supermarkets.
- Foreign nationals can now invest in a number of regulated service provision activities.
- Improved access for SMEs to public procurement thanks to simplified application procedures for state contracts of up to €15,000.

SUPPORTING BUSINESS STARTUPS

- Modernized venture capital instruments: introduction of a new category of private equity funds subject to French law.
- France is encouraging enterprise, notably through the introduction in 2009 of the *auto-entrepreneur status* for self-employed entrepreneurs:
 - Eligibility subject to turnover caps (either €81,500 or €32,600 in 2011, depending on the type of business).
 - Low flat tax and social security contribution burden (13%, 20.5% or 23% of turnover, depending on the type of business).
- Over 506,000 companies created in France in 2011 (January to November only; including 270,000 *auto-entrepreneur* registrations).

SIMPLIFYING THE BUSINESS ENVIRONMENT

Since 2007, the French government has been reviewing all administrative procedures and formalities to make them simpler and less time-consuming, especially for companies and entrepreneurs.

A few examples:

- Government administration has been reorganized to create **single points of contact** for companies and citizens in areas such as settling tax bills, receiving unemployment benefits and procedures between companies and regional offices of state authorities.
- **E-government** has been embraced: 80% of the most frequent requests from companies or citizens to government authorities can now be processed on the internet, compared with only 30% in 2007.

Moreover, the government recently announced 80 **new measures** to simplify life for companies, especially SMEs. These measures are being introduced progressively, and most of them will be effective in 2012. They include:

- The creation of a single point of contact for industrial projects.
- Simplified public procurement procedures (no formal procurement needed for state contracts up to €15,000).
- Creation of an “e-vault” into which companies can make a single upload of all the sensitive information requested by various government bodies several times a year.

More flexibility in the labor market

Retirement reforms introduced by the Act of November 9, 2010 will preserve France's retirement funding model and ensure that the system returns to equilibrium by 2018. The statutory retirement age will rise progressively to 62 years, while a full pension can now be claimed upon retirement at 67 years or over.

These changes follow previous labor market reforms, leading to:

- Greater incentives to use overtime hours.
- Greater freedom for companies to organize the working week.
- Greater flexibility in the labor market.

OVERTIME HOURS INCENTIVES FOR EMPLOYERS AND EMPLOYEES

Employers enjoy a reduction in social security contributions for each overtime hour worked by their employees above the legal working week.

Employees receive tax and social security contribution exemptions and are paid 25% more for any overtime hours they work. This rule also applies to part-time employees.

Overtime hours declined in 2009, but by 2010 they had regained their pre-recession level: over 700 million hours by a total of 5.3 million workers.

MORE FREEDOM TO NEGOTIATE WORKING HOURS

Employer confederations and trade unions are free to hold negotiations at a company level concerning the overtime hour quota, the hours exceeding this quota, and the corresponding statutory rest days.

Overtime hours, previously fixed at 220 hours per year, can now be determined by company agreement subject to respecting European Union regulations (48 hours per week).

Companies can now raise the annual maximum working time of management personnel or freelancers employed under the "forfait jours" (fixed number of days) system (around 40% of these types of employees) from 218 days to 235 days, due to the optional buyback of days off.

ENABLING RETAILERS TO OPEN ON SUNDAYS

The Act of August 10, 2009 extended the possibilities for working on Sundays:

- In municipalities defined as tourist, spa or cultural attractions, all retailers may now open on Sundays without prior authorization.
- The local State Prefect may define areas within cities of over 1 million inhabitants within which retailers can open on Sundays.

MODERNIZING WORK CONTRACTS

- New hiring rules: the maximum **trial period** (including renewals) has been increased by two months, meaning that employers can now extend the total **trial period** to four months for blue-collar workers and employees, and to eight months for management personnel.
- A new **contract termination procedure**: the “**rupture conventionnelle**” (**termination by mutual consent**), inspired by the negotiated termination agreement common in the United States and the United Kingdom, is an amicable procedure between the employer and the employee. At present, such agreements account for 11% of all permanent contract terminations, at an average of 20,000 per month.

NEW RULES FOR TRADE UNION REPRESENTATION IN COMPANIES

- Trade unions must now obtain 10% of the first-round vote to be considered representative and to be able to sign agreements.
- Company agreements are only valid if they are signed by one or more unions representing at least 30% of the vote.

“What we really, really admire in French workers is that they are very creative and flexible.”

WATARU TAKEKOSHI,
VICE-PRESIDENT MARKETING, SHISEIDO EUROPE

France welcomes expatriates

France is renowned for its quality of life, its rich and diverse culture, and its efficient healthcare and education systems, all of which help to make it one of the world's leading destinations for foreign direct investment. Changes to immigration law have now made it easier for foreign directors and employees to work in France.

MULTI-YEAR RESIDENCE PERMITS FACILITATING INTERNATIONAL TRANSFERS

- The “Skills and Expertise” residence permit for foreign nationals who wish to set up a project in France as an employee or business or manufacturing representative. This residence permit, valid for three years on a renewable basis, may for example be issued to foreign nationals managing a subsidiary in France (intra-group transfer of a director) or starting a company involving an initial investment of at least €300,000, subject to certain conditions.
- The “Expatriate Employee” residence permit: a three-year renewable residence permit designed to facilitate intra-group transfers.
- The “European Blue Card” may be requested as from January 2012. This permit will allow highly skilled foreign nationals to work in France and then, 18 months later, in other EU Member States without completing any further formalities. This residence permit is valid for one to three years and may be awarded to employees with at least five years' experience in a specific sector or at least three years of higher education. Their monthly gross pay must exceed around €4,000.

These residence permits automatically entitle accompanying family members to the “Private and Family Life” residence permit, enabling them to seek employment.

A residence permit only open to investors:

- A 10-year residence permit for exceptional economic contributions, introduced in August 2010, may be awarded to investors or managers of foreign subsidiaries established in France who:
 - create or safeguard 50 jobs in the country, or
 - make an investment of at least €10 million.

Other residence permits:

- For short-term assignments, a new 12-month work permit enables foreign nationals working within a multinational group of companies to spend up to 90 days in France in each six-month period.
- Long-stay visa acting as a residence permit: allowing certain foreign nationals (scientists and temporary workers in particular) to be granted a visa, valid for up to one year. These foreign nationals are no longer required to request a temporary residence permit to cover the first 12 months of their stay in France from the local Préfecture (national government office in each *département* in France).

FIRST TRIALS OF A 'ONE-STOP SERVICE' FOR FOREIGN DIRECTORS, EMPLOYEES AND THEIR FAMILIES

Since December 1, 2010, employers located in the Paris, Hauts-de-Seine and Rhône départements have been able to use a trial service with a single point of contact at their local branch of the French Immigration and Citizenship Office (OFII) to obtain work permits for “Skills and Expertise” and “Expatriate Employee” resident permit holders and their accompanying families.

FOUR MAJOR TAX AND LEGAL IMPROVEMENTS

- **Tax exemption on income earned outside France:** Employees on intra-group transfers or directly recruited abroad, directors and certain non-salaried personnel may claim exemption from income tax on up to 50% of their total income (expatriation bonus plus a fraction of remuneration received for work outside France).
- **Wealth tax exemption:** Exemption from paying wealth tax (ISF) on assets or estates held outside France for five years.
- **Reduction in capital gains tax:** A tax exemption of 50% on income from “passive” sources such as dividends, interest and fees, and capital gains on the sale of foreign equities.
- **A single tax center:** Non-resident foreign companies can now obtain information, and in certain cases an advance tax ruling, from the French tax authorities concerning their investment projects.

SCHOOLS WITH INTERNATIONAL PROGRAMS

France has no fewer than 307 schools with international programs. By 2014, the number of programs will be increased to include new languages:

- English programs will be added in education districts still lacking international programs (Besançon, Limoges, Corsica and Martinique) by the close of 2013.
- Other new international programs being added: a Brazilian Portuguese program in Créteil and a Turkish program in Strasbourg by the end of 2013; a Korean program in Paris by the end of 2014.

See the **Foundation for the Development of International Education website:** www.fdei.org

“France has changed incredibly over the last few years, becoming much more welcoming to business.”

SHELLEY BAYS, CO-PRESIDENT, KEIRETSU FORUM PARIS

A country investing in its future

Investment has been central to France's response to the global economic crisis, underpinning measures to support competitiveness and to prepare the country's future. These twin objectives drove France's economic stimulus plan launched in 2008 and have determined the five strategic priority areas now receiving funding from the French government's "National Investment Program".

THE "NATIONAL INVESTMENT PROGRAM"

The €35 billion "National Investment Program" was drawn up in late 2009 to promote future growth through investment in high-value job-creating sectors. By mid-2011, over €13 billion had been allocated to these projects, 1,700 companies had been awarded funding. By the end of 2011, €15-20 billion in funding will have been distributed. Thanks to the "National Investment Program", France has a clearly defined map of tomorrow's innovation areas.

The five strategic priority areas identified for investment are:

- **Higher education and training:** a total of €11 billion earmarked, including €7.7 billion to create five to 10 higher education campuses of excellence and €1 billion to make the Saclay Plateau Europe's largest science and technology campus.
- **Research:** a total of €7.9 billion earmarked to develop research facilities (€1 billion) and laboratories of excellence (€1 billion); strengthen research in the fields of biotechnology and nanotechnology (€850 million to create university hospital institutes); fund initiatives to optimize the application of public-sector research (€1 billion) and the Carnot institutes, which provide key support for research partnerships (€500 million); and encourage technological innovation (new world-class technological research institutes; €2 billion).
- **SMEs and the industrial sector:** €6.5 billion to preserve and boost the competitiveness of the aerospace industry (€2 billion), the automotive, rail and shipbuilding industries (€1 billion), SMEs (€2.5 billion, including €1.5 billion for innovative companies, €400 million for startups and €500 million to strengthen innovation clusters).
- **Sustainable development:** €5.1 billion – in addition to the government funding allocated every year until 2020 as part of France's "Green New Deal" (see page 16) – to provide support for technological and industrial advances in the renewable and low-carbon energy industries (€2.5 billion), the development of fourth-generation nuclear reactors (€1 billion), sustainable transport and urban planning (€1 billion), and energy-efficient renovation of public/social housing (€500 million).
- **Digital economy:** €4.5 billion allocated through the National Digital Economy Fund to equip France with a very-high-speed broadband network (€2 billion) and to develop innovative services, uses and content through projects including digitizing French cultural heritage (€2.5 billion).

€35 billion “National Investment Program” spending breakdown

Higher education and training	€11 billion
Research	€7.9 billion
SMEs and the industrial sector	€6.5 billion
Sustainable development	€5.1 billion
Digital economy	€4.5 billion

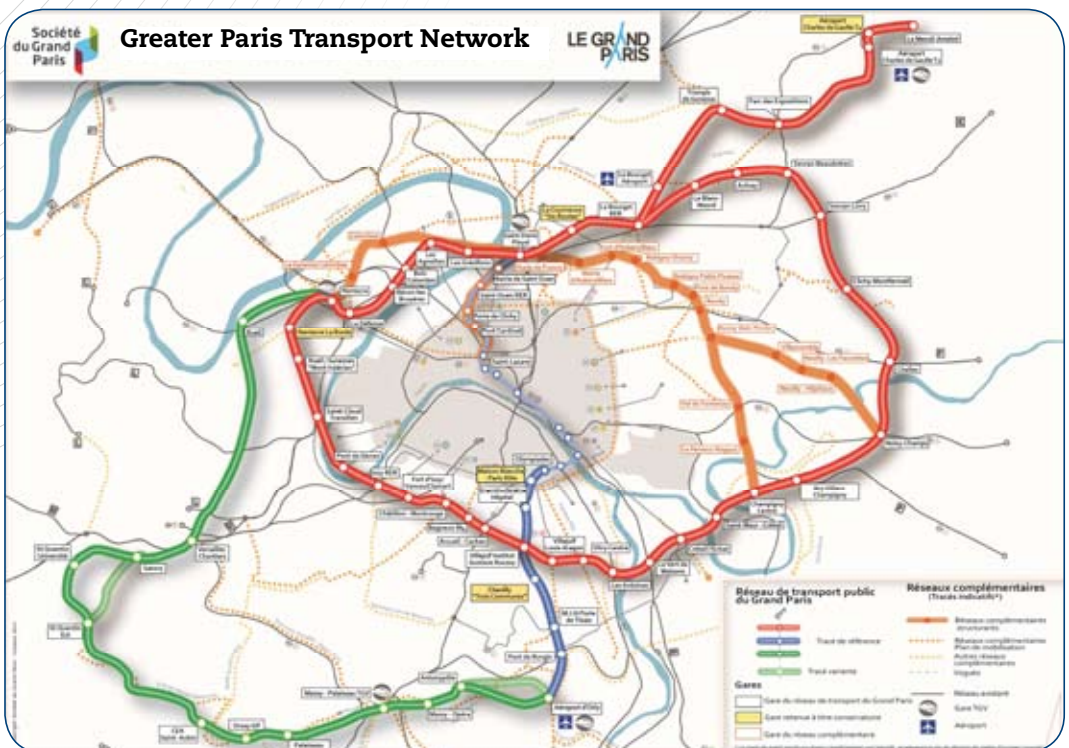
French Government figures, 2010

**THE “GREATER PARIS” PROJECT:
BUILDING A SUSTAINABLE CITY**

The “Greater Paris” project aspires to bring a new dynamic to the Paris region, anchored firmly in the knowledge economy and innovation.

The Paris region already boasts a high concentration of both public and private stakeholders in research and development, with over 80,000 researchers and seven innovation clusters.

Between 2010 and 2015, the French government will be investing over €32 billion in public transport for the Paris metropolitan area.



Building sustainable growth

In 2007, France launched an unparalleled consultation process, the “Grenelle” environment round table talks, addressing climate change, protecting biodiversity, promoting sustainable growth, and developing environmentally responsible democracy.

France’s comprehensive “Green New Deal” was then embodied in two government acts: the “Grenelle I” Framework Act (August 3, 2009), and the “Grenelle II” National Commitment to the Environment Act (July 12, 2010). Numerous investment opportunities created by these Acts include areas such as energy efficiency (low consumption standards for new buildings by 2013), renewable energy (wide array of feed-in tariffs), new vehicles (electric and low-carbon vehicles) and urban design.

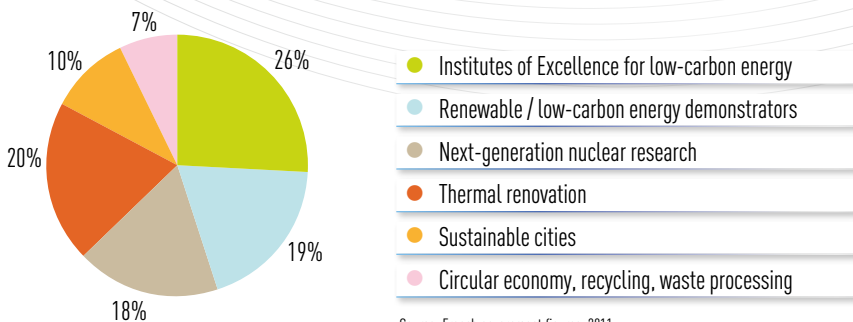
In the last four years, the ‘green market’ has blossomed. Turnover in the energy efficiency and renewable energy sectors rose 13% in 2009 and 11% in 2010. Real growth in 2007-12 is due to hit 83%, with nearly 130,000 jobs created in 2006-10, and 70,000 new jobs expected in 2011-12.

	Market (€ billion, 2009 constant prices)			Jobs ('000s)		
	2006	2010 (est.)	2012 (est.)	2006	2010	2012
Improving energy efficiency - construction sector	9.8	14.4	19	109.7	171.5	223.4
Improving energy efficiency - transport sector (*)	16.6	26.5	29.6	57.2	85.2	95.2
Renewable energy (investments and sales)	9.4	19.6	22.3	54.8	94.5	102.5
“Green New Deal” aggregate market	35.8	60.5	70.9	221.7	351.2	421.1

Source: ADEME, 2011

(*) including lower vehicular CO₂ emissions

To foster sustainable development, **€5.1 billion from the “National Investment Program”** has been allocated to developing the green economy and low-carbon energy, funding full-size demonstrators and new structures for collaborative R&D and innovation in renewable energy, urban design, housing renovation, recycling and waste management, and nuclear energy research.



Source: French government figures, 2011

Fostering the digital economy

The digital economy is one of the most dynamic sectors in the global economy. It is also the main engine driving competitiveness, growth and job creation in France, accounting for 3.7% of employment, 5.2% of GDP and 7.9% of total private-sector value added, as well as one-third of all private-sector R&D investments. As such, developing the digital sector is a strategic issue and a key policy priority for the French government.

FRANCE'S DIGITAL INFRASTRUCTURE

France has an excellent digital infrastructure: its telecommunications networks are recognized to be among the best in the world in terms of quality, availability, efficiency and competitiveness. The power supply in France is also one of the most reliable and efficient in Europe, offering high quality power at very competitive rates. In addition, France's telecommunications rates are among the lowest in the European Union (AFOM, 2010), and its network connections are extremely reliable.

THE 2011 E-G8 SUMMIT IN FRANCE

The e-G8 forum brought together some of the world's most important political and internet business leaders. For the first time in the history of international summit meetings, the digital economy was placed on the agenda of a meeting of Heads of State and government by France, the presiding country of the G8-G20.

FRANCE'S DIGITAL PLAN 2012-2020

Following on from the Plan for 2012, 57 new priority targets to develop the digital economy by 2020 have been set, including:

- Increasing digital uptake to 100% of companies in France, including very small companies.
- Connecting 70% of the population to ultra-high-speed internet by 2020 and 100% by 2025.
- Ensuring the development of ultra-high-speed mobile internet by freeing up further frequencies.
- Making all digital terrestrial channels high-definition, while developing interactivity and mobility, and launching at least one 3D channel.
- Making the most popular administrative formalities paperless by 2013 and all the rest by 2020.

€4.5 billion for the digital economy from the "National Investment Program":

- €2 billion for internet infrastructure (larger mobile bandwidth, fiber optics, satellite-related solutions) to cover 100% of the country by 2025.
- €850 million to support innovation in digital applications.
- €1.4 billion to be provided in capital to support digital businesses.
- €250 million to develop smart grids.

PRIORITIZING INNOVATION

France is fast-tracking its
knowledge economy

France offers the best research tax credit in Europe

As a country's economic standing is in part dependent on its capacity to encourage companies to develop their R&D operations, the French government completed a major reform of its research tax credit (*crédit d'impôt recherche*) in 2008, enhancing its terms for companies and simplifying the surrounding procedures.

FRANCE'S RESEARCH TAX CREDIT

- Covers 40% of all R&D costs in the first year, 35% in the second year and 30% in subsequent years up to €100 million, and 5% above this ceiling.
- R&D expenditure on work carried out in conjunction with public-sector laboratories is double-counted in the research tax credit base (up to a total of €12 million in subcontracted costs). In practice, this means that the research tax credit can cover 80% of eligible costs in the first year, 70% of costs in the second year and 60% thereafter.
- Double-counting of salaries and overhead costs means that the salaries of junior final-year doctoral and post-doctoral research personnel can effectively be quadrupled in the tax credit base.
- No upper spending limit to the tax credit, which is calculated on the annual volume of all R&D costs (salaries, social security contributions, operating expenses, depreciation, patents, etc.) However, certain restrictions do apply to eligible subcontracting costs.
- SMEs can receive an immediate research tax credit rebate for R&D expenditure incurred in the previous year.

RESEARCH TAX CREDIT CASE STUDY

Suppose that a company has €5,380,000 in eligible R&D expenses each year and that these expenses break down as follows: €3,000,000 for the research team, €500,000 to hire junior final-year doctoral and post-doctoral research personnel, €1,000,000 for work subcontracted to group subsidiaries, €800,000 for work subcontracted to a public-sector research organization, €50,000 for depreciation of R&D equipment, and €30,000 in miscellaneous other eligible costs.

In the first two years, eligible expenses for the junior final-year doctoral and post-doctoral research personnel will be quadrupled when calculating the tax credit base (200% of salaries and social security contributions plus 200% of overhead expenses).

Eligible expenses for work subcontracted to public-sector research organizations will be double-counted throughout the R&D period.

In this example, the research tax credit granted would be €3,687,000 the first year, €3,226,125 the second year and €2,390,250 the third year.

RESEARCH TAX CREDIT WORKING EXAMPLE

	2011	2012	2013
Total R&D expenses	€5,380,000	€5,380,000	€5,380,000
Salaries and social security contributions for junior final-year doctoral and post-doctoral research personnel* (double-counted over first 24 months)	1,000,000	1,000,000	500,000
Salaries and social security contributions for other research personnel	3,000,000	3,000,000	3,000,000
R&D subcontracting costs invoiced by companies within the group	1,000,000	1,000,000	1,000,000
R&D subcontracting costs invoiced by public-sector research organizations (double-counted each year)	1,600,000	1,600,000	1,600,000
Fixed allowances for overhead expenses: - 50% of eligible personnel costs - 200% of junior final-year doctoral and post-doctoral research personnel costs over the first 24 months, and - 75% of cost of depreciating R&D fixed assets	2,537,500	2,537,500	1,787,500
Depreciation of R&D equipment	50,000	50,000	50,000
Other eligible costs	30,000	30,000	30,000
Total expenses eligible for research tax credit	€9,217,500	€9,217,500	€7,967,500
Rates	40%	35%	30%
Amount of research tax credit which can be claimed	€3,687,000	€3,226,125	€2,390,250

*Junior final-year doctoral and post-doctoral research personnel ("jeunes docteurs"): employees either holding or in the final year of study towards a research doctorate (PhD) or equivalent, in their first permanent employment contract at a company whose workforce must not have been downsized since the previous year.

RECENT TAX SAVINGS BY COMPANIES IN FRANCE

- Over 15,700 companies claimed a research tax credit for R&D spending incurred in 2009 – 2,400 more than in 2008 (when the research tax credit was reformed) and 5,900 more than in 2007. In 2009, over 2,100 of the companies filing for the research tax credit were foreign-owned.
- So far, €4.7 billion has been refunded to companies for research spending incurred in 2009, while in the same year €6.2 billion was refunded for research spending incurred in previous years.

(Source: French Ministry for the Economy, Finance and Industry, 2010)

An ideal location for innovation

France boasts major advantages as an R&D site, including a highly skilled workforce, excellent public-sector research organizations and an ambitious university modernization program.

STRONG PUBLIC-PRIVATE RESEARCH PARTNERSHIPS

- **71 innovation clusters:** In France's innovation clusters, key players such as public-sector R&D centers and educational institutions have joined with private companies to exploit synergies and launch collaborative innovation projects. In 2010, official accreditation was awarded to six green technology clusters which will focus on water cycle quality management, geosciences, recycling and sustainable construction.

With 7,245 new patent applications in 2010, France was ranked 6th in the world and 2nd in Europe (WIPO, 2011).

- **Outstanding public-sector research networks:**

- France's Specialized Networks for Advanced Research (RTRA) bring together geographically tight clusters of research centers with a critical mass of top researchers to work towards common scientific goals.
- France's Carnot Institutes are public-sector research bodies which have an active policy of pursuing collaborative research with socio-economic stakeholders, including private companies.

ACTIVE GOVERNMENT SUPPORT

- The French government's "**National Investment Program**" (see page 14) promotes higher education and research by:
 - Funding world-class campuses such as the Saclay Plateau (which has been allocated an extra €1 billion) and creating or extending research laboratories.
 - Helping projects move from research findings to industrial applications, notably by creating bodies to accelerate technology transfer.
 - Funding research infrastructure and projects in the aerospace, health, biotechnology and green energy sectors.
- France's **National Research Agency** supports research projects undertaken jointly by public-sector laboratories and private companies. "OSEO Innovation", the main provider of aid to innovative SMEs, and the Interministerial Fund (FUI) both allocate funds to R&D projects carried out by innovation clusters. Support for R&D can also be obtained through the European Union's Seventh Framework Program for Research and Technological Development (FP7).

SCIENCE AND TECHNOLOGY GRADUATES

France has the largest proportion of science and technology graduates among 20-29 year-olds in Europe. According to Eurostat (2011), there are 202 science and technology graduates per 1,000 20-29 year-olds in France, compared with 175 in the United Kingdom and 135 in Germany.

MODERNIZING FRENCH UNIVERSITIES

The Act of August 10, 2007 paved the way for sweeping changes in higher education and research, changing the structure and operation of universities to make them more autonomous, more attractive and more open to the business sector.

Universities have since been able to set their own scientific, budget and human resources policies and manage their real estate portfolios. They can recruit personnel more easily and more competitively, create new degree programs, forge partnerships and tap into funds from the university foundations that they now have the authority to create.

A program has been launched to renovate and improve university campus facilities through public-private partnerships. Dubbed “Operation Campus”, it has a government budget of €5 billion to create welcoming community spaces, connect future centers of excellence, and raise the international profile of the campuses.

Renovation is underway at 12 campuses: Lyon, Aix- Marseille, Bordeaux, Grenoble, Strasbourg, Toulouse, Montpellier, Lille and Lorraine, plus three in the Paris region (Paris, Saclay and Condorcet-Aubervilliers).

This university modernization program has been accelerated by funding from the “National Investment Program”.

PRIVATE-SECTOR RESEARCH TAX EXEMPTIONS

In addition to the research tax credit, attractive tax and social security exemptions are available for two types of business startups: innovative new companies (JEI) and new university companies (JEU).

“People in France love innovation. It’s an ideal place to do R&D and it has contributed a lot to our business.”

LIN QIANG, EUROPEAN CEO, ZTE

71 innovation clusters, catalysts for R&D

Operating in a wide range of growth industries, France's innovation clusters (*pôles de compétitivité*) are backed by the research tax credit and dedicated funding. Members increasingly include subsidiaries of innovative foreign companies.

GATEWAYS TO THE R&D COMMUNITY

- 512 foreign groups possess subsidiaries which belong to one of France's 71 clusters (almost 10% of total membership).
- A quarter of foreign-owned establishments in the clusters belong to American groups. Among European countries, Germany has the most cluster members, followed by the Netherlands.
- In these open 'ecosystems', companies can develop partnerships and synergies with universities and research laboratories on collaborative R&D projects with an international profile.
- As part of a responsive network of companies, researchers and clients, cluster members gain access to the expertise and talent they need. They also benefit from innovation platforms and tailored services, while receiving direct subsidies, tax exemptions and tax credits.

**512 foreign groups
with subsidiaries that
are cluster members**

LEVERAGING POWER OF ACTIVE STATE SUPPORT ON PRIVATE-SECTOR R&D

- Substantial financial support was awarded between 2006 and 2009 to over 4,400 projects developed within the clusters. Innovation cluster R&D projects received over €0.9 billion from central government and €1.5 billion from government agencies (such as the National Research Agency and OSEO), in addition to tax credits and exemptions.
- Over the same period, local authorities provided funding of nearly €500 million for cluster member R&D projects and initiatives related to their environment.
- A typical collaborative R&D project involves a budget of €1 million and the equivalent of 15 researchers or research engineers working full-time for one year. In 2009, 1,439 projects were awarded a total of €852 million in funds from central government, local authorities and government agencies.
- The "National Investment Program" is giving the innovation clusters another boost: €3.5 billion in additional funding.

FRANCE: A SMART CHOICE

France is a smart
investment choice when
it comes to workforce,
infrastructure and
business costs

A leading world economy

France, the fifth largest economy in the world and the second largest in Europe, has weathered the global economic crisis well.

MAJOR MARKET POTENTIAL

The French market is attractive for three major reasons:

- Size (population of more than 65 million)
- Strength (purchasing power, consumption and demographics)
- Location

35 French companies among the 500 largest in the world (34 from Germany, 30 from the United Kingdom), according to the 2011 Fortune Global 500.

A STRONG, DIVERSIFIED ECONOMY ATTRACTING MULTINATIONALS

France has a strong, diversified industrial base, which is a reflection of its strong presence in Europe, where it has:

- the largest pharmaceutical, aerospace and nuclear sectors
- the second-largest chemical industry
- and the third-largest ICT and agri-food sectors.

(LEEM / GIFAS / CEA / INSEE / EITO / French Agriculture Ministry, 2010; CEA, 2009)

France is home to over 3.1 million companies. According to Forbes (2011), the following French groups are among the world's top 200 companies: BNP Paribas (11th), Total (19th), GDF Suez (29th), Société Générale (44th), AXA Group (48th), France Télécom (74th), Sanofi-Aventis (81st), Crédit Agricole (99th), EDF Group (100th), Vivendi (146th), Vinci (150th), Renault (162nd), Saint Gobain (186th), L'Oréal Group (193rd), Schneider Electric (196th).

A REMARKABLE QUALITY OF LIFE

According to International Living magazine's 2010 Quality of Life Index, which compares countries based on cost of living, culture, economy, environment, freedom, health, safety and risk, infrastructure, and climate, France was the best place to live in the world.

The 2011 index places France second in Europe after Malta.

In November 2010, UNESCO added "the gastronomic meal of the French" to its list of Intangible Cultural Heritage.

France is the world's leading tourist destination, with 76.8 million visitors in 2010 (UNWTO estimates, 2011).

STRONG DEMOGRAPHICS

- Second highest birth rate in Europe.
- Third highest rate of natural population increase in the European Union.

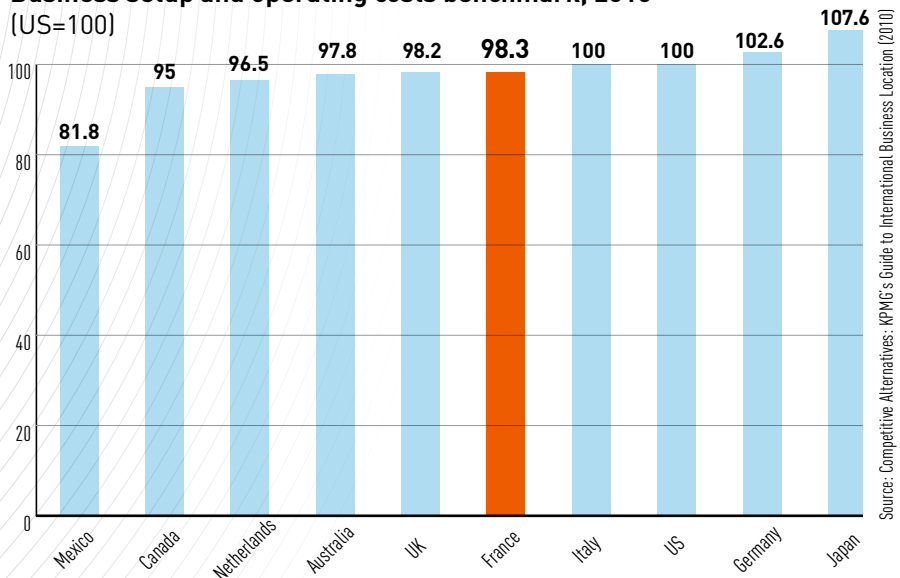
Low setup and operating costs

According to KPMG, France had the lowest business setup and operating costs* in the European countries surveyed in 2010 and was ranked 6th in the world among the 10 countries compared.

*Cost components: labor, facility costs, transport, utility costs (electricity, natural gas, telecommunications) and corporate tax.

Business setup and operating costs benchmark, 2010

(US=100)



- Paris was the leading location in Europe (and third in the world after Tokyo and Beijing) for the number of "Fortune Global 500" company headquarters in 2011.
- According to Cushman & Wakefield, real estate prices for both residential and commercial properties are lower in Greater Paris than in Greater London. Office space in other French city central business districts was considerably cheaper than elsewhere in Europe in 2011: €230/m²/year in Marseille and €260/m²/year in Lyon, versus €416/m²/year in Madrid, €420/m²/year in Frankfurt and €423/m²/year in Amsterdam.

"We were looking for a well-connected location with prime IT talent and reasonable operating costs."

CHRISTOPHE MARTINOLI, CEO, WIPRO FRANCE

Open for business with foreign investors

According to UNCTAD, foreign direct investment (FDI) inflows to France in 2010 remained stable at US\$34 billion, making it the fourth largest recipient of inward investment in Europe.

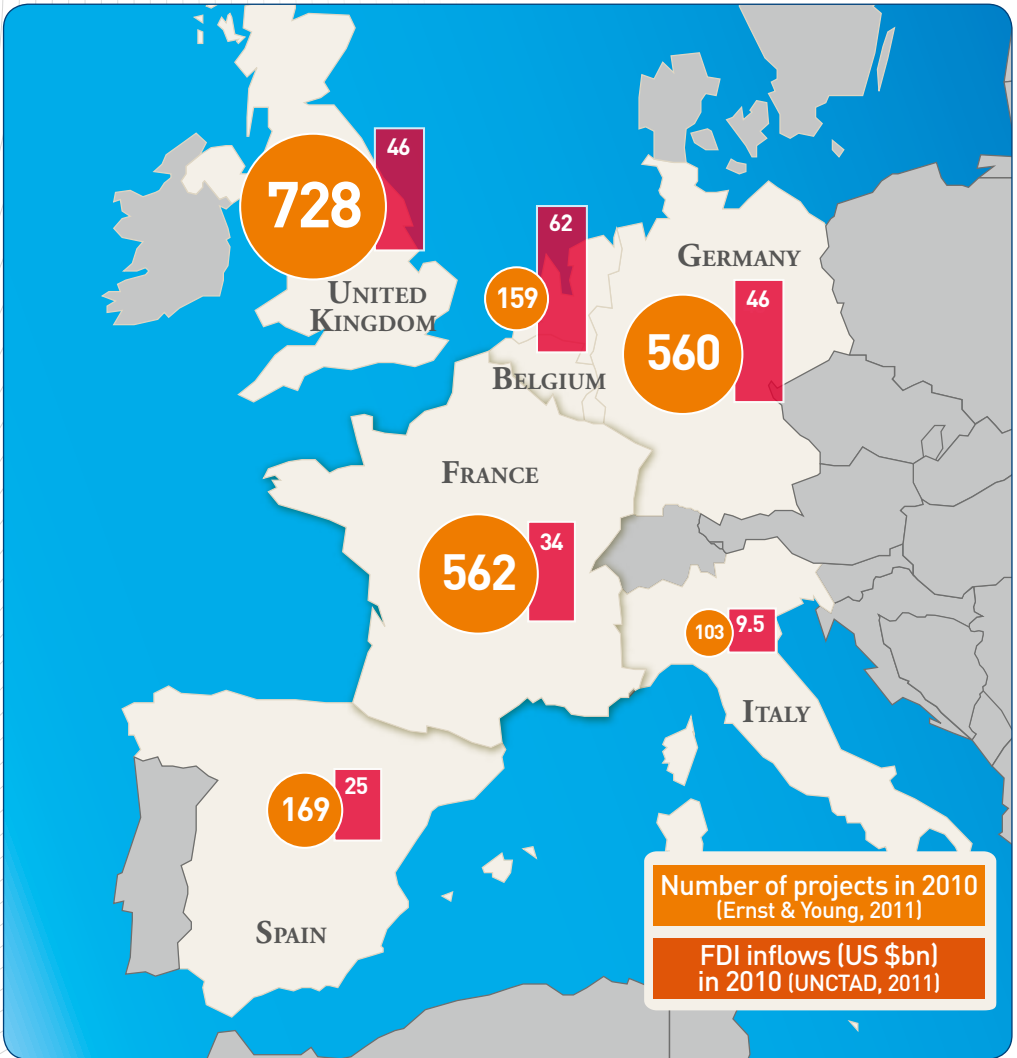
**More than 20,000
foreign companies
are currently doing
business in France
(INSEE, 2010)**

- In 2010, France was the second leading recipient in Europe of job-creating inward investment projects, according to Ernst & Young's "European Investment Monitor" (EIM, 2011).
- France was among the leading countries in Europe for foreign R&D investment (EIM, 2011).
- France was also the leading destination in Europe for job-creating inward investment projects in the manufacturing sector (EIM, 2011).
- Foreign investors held stakes totaling 42.4% of the equity of companies listed on the CAC 40 at the close of 2010 (Banque de France, 2011).
- In France, one-third of jobs in mid-size companies (*entreprises de taille intermédiaire*, businesses with 250-5,000 employees) are in foreign-owned companies.
- In 2010, 65% of new job-creating foreign investment came from European countries and 22% from North America.
- In 2010, an average of 15 companies a week chose to invest in France by creating or saving jobs.

The Paris marketplace - a gateway to the euro zone:

- An active equity market: NYSE Euronext, the world's leading stock exchange is number 1 in terms of trading volume in Europe.
- The second largest asset management industry in Europe.
- The sixth largest stock market capitalization in the world (IMD report 2011, figures for 2009).
- Life insurance accounts for more than €1,500 billion in assets under management. With a turnover of €200 billion, France and the UK are leaders in Europe for both life and non-life insurance.
- France is at the forefront of financial innovation: Paris leads the way for socially responsible investment, with 200 funds.
- The Paris marketplace is also a world leader in green business and in environmental finance, with trading platforms such as BlueNext (CO₂ quota trading), Powernext (electric power trading) and Metnext (meteorological risks trading).

FOREIGN DIRECT INVESTMENT IN EUROPE



“The image of France as an introverted country is a totally overblown and groundless stereotype”

THIERRY MARCHANDISE, CEO, CANON FRANCE

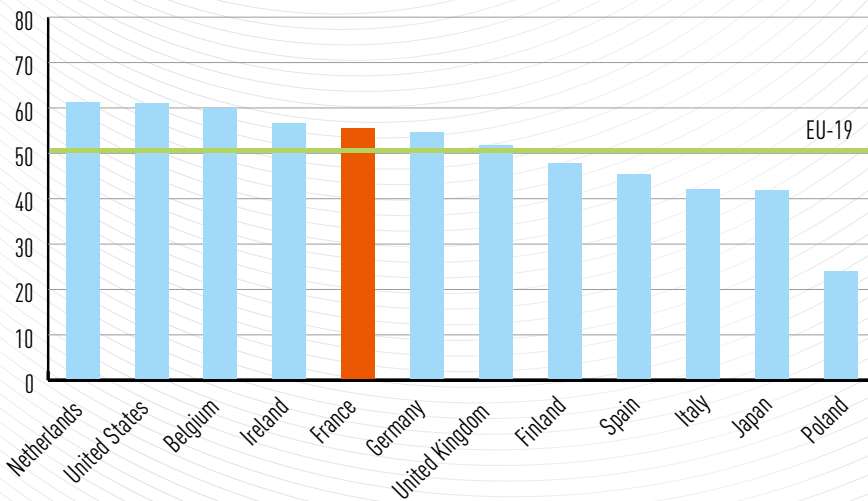
A highly productive workforce

International investors who decide to set up business in France can draw all the benefits from a highly productive, highly skilled workforce.

- France is ranked fourth in Europe for hourly labor productivity. (The Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2011)

Hourly productivity* (2010)

In US \$ at 2010 PPP



Source: The Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2011.

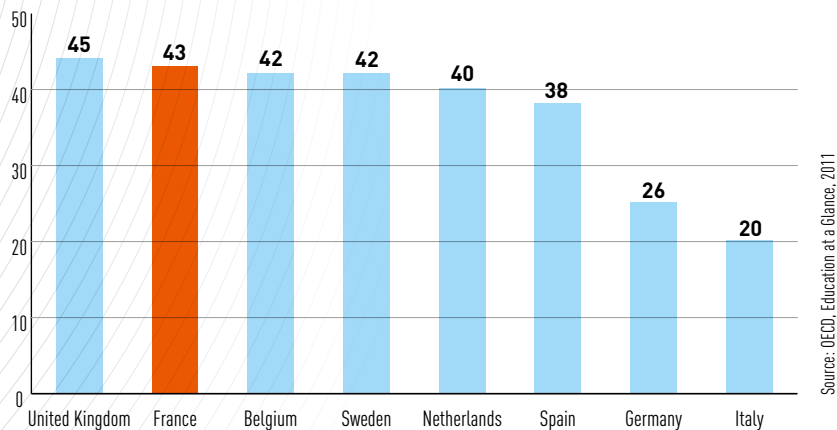
“The French are probably one of the most productive workforces that we have. They bring an extraordinary amount of talent and innovative thinking.”

Skilled and talented professionals

France has a highly skilled workforce. A large percentage of the population goes to university. According to OECD indicators published in 2011, France boasts Europe's second highest percentage of 25- to 34-year-olds with a university-level degree.

Higher Education Graduates (2009)

(% of 25- to 34-year-olds)



AN EXCELLENT EDUCATION SYSTEM

- The Financial Times “European Business Schools Rankings 2011” included three French business schools among the top 10 in Europe: HEC Paris, INSEAD and Essec. Of the top 75 business schools in Europe, HEC Paris was ranked first for the sixth year in a row.
- Twenty-one of France’s universities and *Grandes Ecoles* feature in the top 500 of the Academic Ranking of World Universities 2011 (“Shanghai list”).
- France also fared well in a ranking published by the *Ecole Nationale Supérieure des Mines*, with 25 of the 392 higher education institutions evaluated having the most former students in executive positions at the 500 largest multinational companies. Four *Grandes Ecoles* made the top 20: HEC (4th), Polytechnique (7th), ENA (9th) and Sciences-Po Paris (17th) and the *Ecole Nationale Supérieure des Mines* (18th) (Source: *Ecole Nationale Supérieure des Mines*, International Professional Ranking of Higher Education Institutions, 2011).
- With over 285,000 foreign students enrolled in tertiary education in 2010-2011, France also had the fourth largest foreign student population in the world (Campus France, 2011).

World-class infrastructure

France is at the crossroads of Europe with quick and easy connections to all major destinations.

With over 11,000 km (nearly 7,000 miles) of motorway and more than 1.1 million km (685,000 miles) of roads (ERF, 2010), France has one of Europe's densest and safest road networks.

Its high-speed train lines have significantly shortened travel times between European cities. Paris to London takes only 2 hours 15 minutes; Paris to Brussels, 1 hour 20 minutes; and Paris to Strasbourg, 2 hours 20 minutes (UIC, 2010).

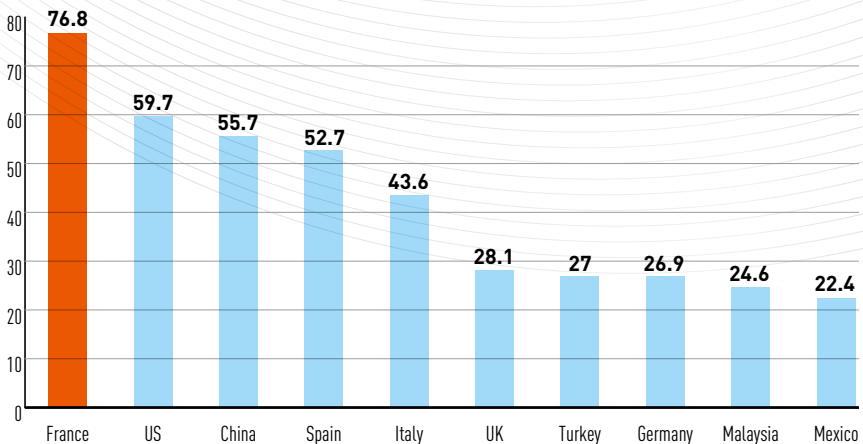
French airports handled over 150 million passengers and 2.3 million tons of cargo in 2010. France has 80 commercial airports. Paris Charles de Gaulle is France's biggest airport and, as of 2010, Europe's largest cargo hub and second largest passenger hub (58 million passengers). Five other airports handled over six million passengers each in 2010: Paris-Orly, Nice-Côte d'Azur, Lyon-Saint-Exupéry, Marseille-Provence and Toulouse-Blagnac (ACI/ADP, 2011).

France's ports enjoy excellent connections with the European highway, rail and waterway networks. In the most recent Port of Rotterdam rankings (2011), two French ports were among the top 10 in Europe by tonnage in 2009: Marseille (6th) and Le Havre (9th).

The internet broadband penetration rate in France is 29.2% – higher than in other major European countries like the United Kingdom (28.8%), Spain (20.7%) and Italy (19.8%), and rivaling that of Germany (29.4%) (Eurostat, 2010). With 20.9 million subscribers in December 2010 (ARCEP, 2011), the high-speed internet market is developing rapidly. In addition, France's telecommunications rates are among the lowest in the European Union (AFOM, 2010), and its network connections are extremely reliable.

International tourist arrival estimates, 2010

(in millions)



A key energy advantage

France's dynamic energy market is one of the most competitive in the world.

According to a 2010 study by Deloitte, France has the smallest carbon footprint of the G8 nations

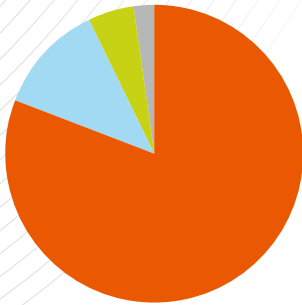
At €0.07 per kilowatt hour (exc. VAT), industrial electricity rates in France are more competitive than in either the United Kingdom (€0.09) or Germany (€0.09), according to Eurostat figures (2011). Industrial natural gas rates per gigajoule (exc. VAT) are also lower in France (€9.86) than in Germany (€11.58).

Nuclear power holds a central place in France's energy strategy, since it supplies 81% of the nation's electricity. Government support for the growth of renewable energy (solar power, wind farms, hydroelectricity, biomass and biofuels) is a core component of its energy strategy.

France has intentionally placed itself at the forefront of innovation by providing a site for the International Thermonuclear Experimental Reactor project to design and build an experimental fusion reactor.

Given the share of energy from nuclear and renewable sources in the French energy mix, investing and producing in France can enable companies, especially manufacturers, to reduce their carbon footprint.

According to a 2010 study by Deloitte, France has the smallest carbon footprint of the G8 nations



Primary energy production in France, 2009

● Nuclear	81%
● Other renewables / Waste-to-energy	12%
● Hydro power / Wind power	5%
● Other (oil, natural gas, etc.)	2%

Source: French Ministry for Ecology, Sustainable Development, Transport and Housing (October 2010)

THE INVEST IN FRANCE AGENCY

A network of partners

The Invest in France Agency (IFA) promotes and facilitates job-creating foreign investment in France, and is the leading authority on France's business image abroad and attractiveness to investment. The IFA network operates worldwide through 24 offices. The IFA works in partnership with regional development agencies to provide effective support to international investors at every stage of their projects.

THE IFA IS HERE TO HELP YOU...

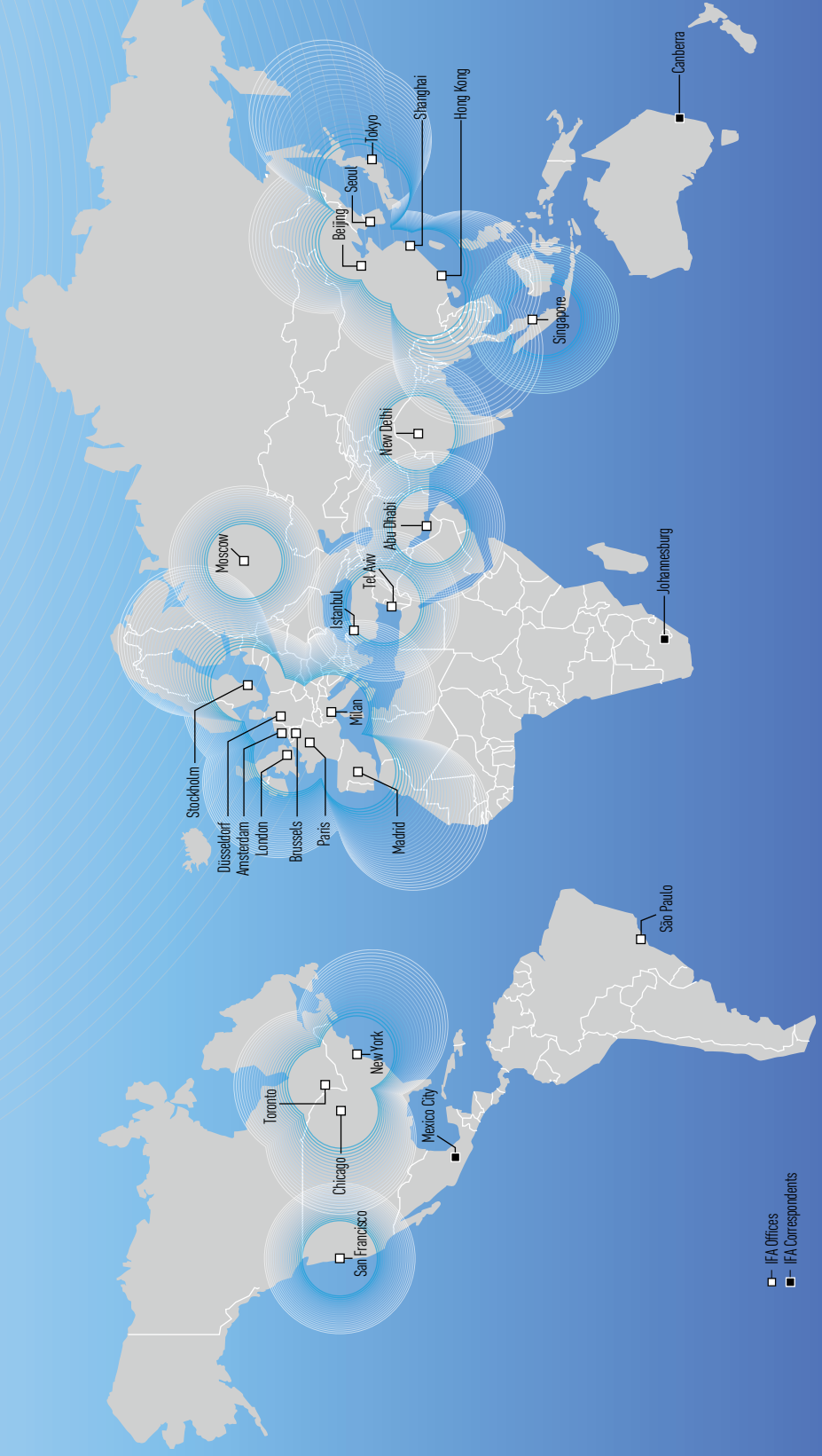
- **Find answers to business queries:** The IFA can answer queries on tax, labor law, expatriating employees and regulations relevant to your investment.
- **Choose a site for your project:** Our experts can prepare a shortlist of sites and arrange visits with local partners.
- **Get in touch with key authorities:** The IFA can facilitate or arrange contacts with national or local government authorities.
- **Analyze your entitlement to state aid:** The IFA can identify financial advantages available for your project at regional, national and EU level.
- **Obtain information on innovation cluster opportunities**

In addition, the IFA produces and distributes information on France's advantages and attractiveness as an investment location. It analyzes the competitive environment, international investment flows and the factors determining investment attractiveness.

The IFA makes recommendations to the French authorities concerning measures that would make France more attractive to foreign investors. It studies and measures the perception of France among foreign company directors and decision-makers in order to develop a targeted communication strategy.

**The IFA
promotes
France's
business
image abroad
and facilitates
job-creating
foreign
investment.**

160 PERSONNEL IN 27 LOCATIONS THROUGHOUT THE WORLD



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France welcomes talent and investment

The Invest in France Agency (IFA) promotes and facilitates international investment in France. The IFA network operates worldwide. The IFA works in partnership with regional development agencies to offer international investors business opportunities and customized services all over France.

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