Executive Summary

France welcomes foreign investment. France has a stable and reliably safe business climate that attracts investment from around the world. The French Government devotes significant resources to attracting foreign investment, through policy incentives, marketing, its overseas trade promotion offices, and investor support mechanisms. France has a well-educated population, excellent universities, and a talented workforce. It has a modern business culture, sophisticated financial markets, strong intellectual property protections, and innovative business leaders. The country is known for its world-class infrastructure, including high-speed passenger rail, maritime ports, extensive roadway networks and public transportation systems, and efficient intermodal connections. 3G/4G telephony is nearly ubiquitous and over 85% of French citizens are connected to the internet with plans underway for nationwide high-speed broadband internet.

The investment climate in France, though complex, is generally quite conducive to U.S. investment, as evidenced by the fact that the United States is France's largest source of foreign direct investment (FDI stock). The nearly 4,200 U.S. companies in France represent over 450,000 jobs. In total, there are more than 20,000 foreign-owned companies doing business in France. France is home to more than 30 of the world's 500 largest companies. At number 21 in the World Economic Forum's ranking of global competitiveness, France is one of 12 European countries in the top 25.

The legal and regulatory environment is relatively transparent and stable. In 2013, the French Government continued to introduce new measures to encourage growth and investment. The implementation of a €20-billion corporate tax credit program (CICE – *Crédit d'Impôt Compétitivité Emploi*) and the elimination of a corporate social solidarity tax are part of a plan to attract local and foreign investors alike. The government maintains a generous research and development tax credit as well. The government has also recently implemented new labor laws, which strengthen vocational training and add elements of flexibility to the French labor market. Efforts are under way to simplify French tax and labor laws and administrative procedures.

France continues to support innovation in small and medium enterprises (SMEs) via its ten-year, €35-billion "Investments for the Future" (*Investissements d'Avenir*) program targeting green technologies, the digital economy and industrial sectors such as aeronautics, space, transportation, and shipbuilding. It has further developed its tax incentives to spur research and innovation, such as the Research Tax Credit (CIR - *Crédit Impôt Recherche*) and tax incentives for innovative new companies (*Jeune Entreprise Innovante*).

There are, of course, reasons for caution as well. GDP growth in France last year was an anemic 0.3% and unemployment is stubbornly above 10%. France has been subject to strict European Union macroeconomic surveillance due to a prolonged period of budget deficits exceeding the EU limit of 3%. The 2013 AmCham-Bain Barometer study on the morale of U.S. investors in France pointed to a growing pessimism due to a lack of clarity in the government's agenda, red tape and burdensome regulations, a lack of predictability in legislation and a growing complexity of labor legislation. In recent years, the French Government has selectively intervened in corporate mergers and acquisitions and it maintains a significant stake in a number of industries.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

France is committed to encouraging foreign investment within its borders. In the current economic climate, the French Government sees foreign investment as a way to create jobs and stimulate growth. Investment regulations are simple, and a range of financial incentives are available to foreign investors. A public agency, the French Agency for International Investment (*Agence Francaise pour les Investissements Internationaux* – AFII) coordinates investment promotion. The agency combines the overseas offices of the Invest in France Agencies (IFA), with the Invest in France Network (IFN) association. A merger is underway between AFII and the French export promotion agency Ubifrance, with the objective to give French trade and investment promotion efforts greater coherence. AFII and the French Intellectual Property Agency, INPI (*Institut National de la Propriété Industrielle*), has a communication campaign (initially launched in October 2012) called "Say OUI to France, Say OUI to Innovation," with the objective of attracting more foreign investors. See the web page **http://www.sayouitofrance-innovation.com**, which promises to help potential investors learn all they need to know before investing in France "in three clicks."

Foreign investors say they find France's skilled and productive labor force, good infrastructure, technology, and central location in Europe attractive. France's membership in the European Union (EU) and the Eurozone (as the 18 countries that use the Euro currency are known) facilitates the movement of people, services, capital, and goods. However, notwithstanding French efforts at economic reform, market liberalization, and attracting foreign investment, perceived disincentives to investing in France include the tax environment, the high cost of labor (with the minimum wage, called the SMIC for *Salaire Minimum Interprofessionnel de Croissance*, at €1,445 per month), rigid labor markets, and occasional strong negative reactions toward foreign investors planning to restructure, downsize or close. The 2013 AmCham-Bain Barometer (an annual study conducted by the American Chamber of Commerce in France and Bain & Company), released in October 2013, details U.S. businesses' concerns about some of France's economic policies under President François Hollande (in office since May 2012), notably the lack of predictability in economic and budget policy and increased complexity of the tax and labor regimes.
See **http://www.amchamfrance.org/en/position_paper/AmCham-Bain-Barometer-2013/8** to download the annual AmCham-Bain Barometer study.

In February 2014, French President François Hollande announced diverse pragmatic measures in favor of investors (foreign and local), promising them stability and simplicity. The Ministry of Foreign Affairs has a webpage devoted to economic diplomacy (**http://www.diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/**) that lists attracting foreign investment to France as a top focus. Websites with a broader focus include: **http://www.amchamfrance.org/en/business_center/doing_business_in_france**, **http://www.france.fr/en/tags-en/working-and-succeeding-france.html**, and **http://www.france.fr/en/en-search/en-content/indexad50.html**.

English summaries of regulations including labor and tax regulations applicable to foreign companies in France are available at the AFII's website (**http://www.invest-in-france.org/Medias/Publications/862/doing-business-in-france-2013.pdf**) and at the Paris Chamber of Commerce and Industries' website (**http://www.inforeg.ccip.fr**).

Other Investment Policy Reviews

The World Trade Organization (WTO) does not provide trade policy reviews for the individual member states of the European Union, but does provide one for the European Union as a whole: **http://www.wto.org/english/tratop_e/tpr_e/tp384_e.htm**. The United Nations Committee on Trade and Development (UNCTAD) does not have a public report on the investment climate in France, though UNCTAD provides a statistical fact sheet on French FDI (inward and outward) at **http://unctad.org/sections/dite_dir/docs/wir2013/wir13_fs_fr_en.pdf** and an investment country profile at **http://unctad.org/en/PublicationsLibrary/webdiaeia2012d8_en.pdf**. The Organization for Economic Cooperation and Development (OECD) has not conducted a review of the French investment climate since 1996.

Laws/Regulations of FDI

There is strong respect for the rule of law in France. Whereas the United States uses a “common law” system, French law is codified. Private law governs interactions between individuals (e.g., civil, commercial, and employment law) and public law governs the relationship between the government and the people (e.g., criminal, administrative, and constitutional law).

The formal French investment regime is said to be among the least restrictive in the world. See **http://www.invest-in-france.org/us/video-library/The-A-Z-of-investing-in-France-with-the-IFA.html** (English) or **http://www.invest-in-france.org/fr/videotheque/The-A-Z-of-investing-in-France-with-the-IFA.html** (French) for a brief introduction. The Invest in France website (**http://www.invest-in-france.org/us** in English or **http://www.invest-in-france.org/fr** in French) has a media library. See, for example, **http://www.invest-in-france.org/Medias/Publications/862/doing-business-in-france-2014.pdf** (English) or **http://www.invest-in-france.org/Medias/Publications/251/doing-business-2014-version-fr.pdf** (French) for detailed information on relevant regulations.

Industrial Strategy

In September 2013, President Hollande unveiled a €3.5 billion ($4.84 billion) plan to support 34 key “industrial sectors of the future” over the next decade (*34 Plans de Reconquête pour la Nouvelle France Industrielle*). These include developing the next generation TGV (high speed train); an affordable fully electric car for all; the first fully electric passenger airplane; efficient, low-emissions ships; more powerful and longer-lasting batteries; electricity recharging stations; “intelligent” fabrics; thermally efficient building renovation; nano-electronics; augmented reality; connected objects; robotics; electrically propelled satellites; cloud computing; and **cyber security**. Unlike past government-led industrial policies, these plans were developed by the private sector, with the government merely “levering the funds to be invested by companies taking part in these initiatives,” which are also open to foreign investors. More information on these initiatives is available at: **http://www.invest-in-france.org/Medias/Publications/2222/34-sector-based-initiatives-for-a-french-industrial-renaissance-2013.pdf** (summary) and **http://www.redressement-productif.gouv.fr/files/nouvelle_france_industrielle_english.pdf** (detailed presentation on the 34 priority projects).

President Hollande also launched an “Innovation 2030” program in 2013 via a global contest called the “Worldwide Innovation Challenge” open to all entrepreneurs investing in France, regardless of nationality. In March 2014, the Innovation 2030 Commission selected 58 preliminary stage winners who will receive an initial €200,000 ($276,760) to get their ventures going. The French Government has earmarked €300 million ($415 million) to co-finance innovative entrepreneurs between now and 2030 in the following sectors: energy storage, the recycling of **metals**, the development of marine resources, plant proteins and plant chemistry, the silver economy (products and **services** for older people), and big data. Other details are available on the "Worldwide Innovation Challenge" website: **http://innovation-2030.dgcis.gouv.fr/en/**.

In the same vein, the French Government inaugurated the "French Tech" initiative in 2014 to promote the development of France's tech "brand," and promote France as the location for start-ups and high-growth digital companies, with the goal of turning France into a "Start-Up Republic." The "French Tech" initiative includes an "acceleration" investment by the French Government of €200 million ($277 million) to foster start-up ecosystems in and outside France. The first two "French Tech" hubs will be in the United States, opening in San Francisco and Boston in 2014.

France continues to support innovation in small and medium enterprises (SMEs) via its €35 billion ($48.4 billion) ten-year (2010-2020) Investments of the Future program (*Investissements d'Avenir*) targeting **environmental technologies**, the digital economy and industrial sectors such as **aeronautics, space, transportation, and shipbuilding**. See **http://investissement-avenir.gouvernement.fr** for details.

Limits on Foreign Control

With a few exceptions in strategic sectors, there are no statutory limits on foreign ownership of companies. On the other hand, French Government officials occasionally try to insert themselves into merger and acquisition talks or try to exert pressure on executives involved in major cross-border deals.

A 1993 privatization law gives the government the option to maintain a so-called "golden share" when privatizing national companies in order "to protect national interests." A golden share gives the government the right to: require prior authorization from the Ministry of the Finance, Economy and Industry for any investors acting in concert to own more than a certain percentage of a firm's capital; name up to two non-voting members to the firm's board of directors; and block the sale of any asset to protect "national interests."

In June 2002, the European Court of Justice reaffirmed the basic principle of free movement of capital in the EU and stated that the use of golden shares was a serious impediment to that principle. Nonetheless, a December 2006 French law related to the **energy sector** allowed the government to keep a golden share in Gaz de France (GDF) to ensure the security of energy supplies. The French Government received approval from the European Commission (EC) to maintain its golden share following the merger of GDF with Suez, and has reserved the right to retain a golden share in any restructuring of Areva.

Privatization Program

France (like many other European governments) undertook a major privatization program in the 1990s. Today, it owns a minority stake in several companies, listed in the section titled "Competition from State-Owned Enterprises." The government has not recently announced plans to privatize any of the remaining state-owned enterprises (SOEs) but it has drawn down its shareholdings in several companies. Foreign investors are allowed to participate in privatization programs. The government's stakes in state-owned companies are sometimes sold through market-based public offerings, but more commonly through an off-market bidding process. In both cases, the Ministry of Finance/Economy makes determinations based on bidders' business plans, and with the advice of the quasi-independent "*Commission des Participations et des Transferts*" (formerly known as the Privatization Commission). The confidential nature of off-market sales can raise suspicions about the equal treatment of foreign and French bidders, cooling interest from foreign investors. In the past, a policy of selling holdings to "core" shareholders to avoid splitting up companies or selling sensitive state assets to foreign investors favored French firms.

Screening of FDI

The AFII website's "Doing Business in France" section explains French regulations on foreign direct investment. While there is no generalized screening of foreign investment, French law (Decree 2005-1739) stipulates that acquisitions in "sensitive" sectors are subject to prior notification, screening, and approval by the Finance Minister. The decree lists a total of eleven strategic sectors: gambling and casino activities; private security services; research, development and production of pathogens or toxic substances for unlawful or terrorist activities; wiretapping and mail interception equipment; testing and certification of security for IT products and systems; goods and services related to the information security systems of companies managing critical infrastructure; dual-use (civil and military) items and technologies; encryption services; the activities of firms entrusted with national defense secrets; research, production or trade of weapons, ammunition, and explosive substances intended for military purposes; any business supplying the Defense Ministry with any of the above goods or services. The French Government must review any investment in these sectors that acquires control of a firm, surpasses a 33-percent ownership threshold, or involves any part of any firm that has established headquarters in France. Some investments in sensitive sectors require the consent of several ministries.

Competition Law

Direct investments in the form of mergers and acquisitions are subject to antitrust review from the French Competition Authority (*Autorité de la Concurrence*) as provided by the August 4, 2008 law on the modernization of the economy. The Competition Authority handles any operation meeting the following three conditions: the pre-tax global turnover of all the combined companies or entities is higher than €150 million ($207 million); the pre-tax turnover in France is higher than €50 million ($60 million); the operation does not fall within the scope of 2004 EU Regulation 139 on merger regulation. Information in English is available at **http://www.autoritedelaconcurrence.fr/user/standard.php?id_rub=79**.

A tradition of state intervention in the French economy can pose challenges to both French and foreign investors, as corporate governance and employment decisions occasionally attract political attention. French labor unions tend to see U.S. firms as focused on short-term profits at the expense of employment and not sufficiently committed to social dialogue or respect for their legal obligations to employees when restructuring. A degree of opaqueness in the privatization process can also arouse suspicions about the equal treatment of foreign investors in publicly held firms.

Investment Trends

Foreign investment represents a significant percentage of production in many sectors. According to AFII, some 29,600 companies established in France receive foreign investment. They employ two million people, are responsible for one-third of French exports and undertake more than 20 percent of corporate R&D expenditures. Rapid growth in new technologies has given way to renewed growth in traditional sectors: **automobiles**, **metalworking**, **aerospace**, capital goods, consultancy and **services**. Although France remains a top destination for foreign direct investment (FDI), according to UNCTAD estimates, France fell from the second largest recipient of foreign direct investment inflows in 2009 to the sixteenth largest in 2012, when FDI inflows accounted for 0.9 percent of GDP. The United States remains one of the largest sources of FDI in France, accounting for 11.8 percent in 2012, down from 12.1 percent the previous year. Based on recent estimates, U.S. holdings of French securities in 2012 totaled $196 billion, down from the 2011 level of $217 billion. Those figures likely understate U.S. investment in France, as the U.S. investments tend to be considerably older than those of other countries, and U.S. firms often finance expansions and acquisitions on domestic French capital markets or through subsidiaries in third countries. As a result, much U.S. investment in France is not recorded in balance of payments statistics, even though it may ultimately be controlled by U.S. citizens.

Firms with questions about foreign investment operations that require notification to Banque de France (the French central bank) may contact the bank at:

Banque de France (**http://www.banque-france.fr**)
Service de la Balance des Paiements
31, rue Croix-des-Petits Champs
Tel: 01-4292-4292

A list of recent U.S. investment projects may be found on the Invest in France website (**http://www.invest-in-france.org**). A listing by industry of over 400 foreign investors in France can be found in the AmCham directory published by:

American Chamber of Commerce in France (**http://www.amchamfrance.org**)
77, rue de Miromesnil
75008 Paris, France
Tel: 01-5643-4567; Fax: 01-5643-4560.

TABLE 1: The following chart summarizes France's rank on several well-regarded indices and rankings.

Measure	**Year**	**Rank or Value**	**Website Address**
Transparency International Corruption Perceptions index	2013	(22 of 177)	**http://cpi.transparency.org/cpi2013/results/**
Heritage Foundation's Economic Freedom index	2013	(70 of 178)	**http://www.heritage.org/index/ranking**
World Bank's Doing	2013	(38 of 189)	**http://doingbusiness.org/rankings**

Business Report "Ease of Doing Business"			
Global Innovation Index	2013	(20 of 142)	**http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener**
World Bank GNI per capita (USD)	2012	$41,750	**http://data.worldbank.org/indicator/NY.GNP.PCAP.CD**

The **Principality of Monaco**, the world's second smallest country, has an open economy that welcomes foreign investment. **Monaco** enjoys a high standard of living and low unemployment. Foreigners (and Monegasques) actually living and working in Monaco are not subject to personal income tax, with the exception of French citizens. Corporations may benefit from various tax incentives. There are no restrictions preventing foreigners and non-residents from buying property or opening bank or brokerage accounts in Monaco, though some banks have levied fees on American accounts. Non-residents likely account for more than half of real estate investments. **Monaco** is well known for its security and political stability.

Note: **Principality of Monaco** is not covered by the World Bank "Doing Business Report," the Transparency International "Country Corruption Report," nor the Heritage Foundation "Economic Freedom Index" report.

Investment Regime of Monaco

Monaco's economic and regulatory system is closely tied to that of France, and Monaco uses the Euro as its currency. The convention of May 1, 1963 brought French and Monegasque territories, including territorial waters, under a customs union resulting in the application of French customs law in Monaco. Although Monaco is not a full member of the European Union, the customs union with France makes it subject to EU customs laws, thus guaranteeing that the transfer of goods and services from and into Monaco remains within the single European market.

Economic activity within **Monaco**, including commercial, craft and industrial activity is strictly monitored by the Government. Prior approval from the Direction de l'Expansion Economique is required before conducting any economic activity in the principality, and this applies to foreign companies which may establish a branch or an administrative unit in the principality. Monegasque authorities issue approvals based on type of business; approval is personal and may not be transferred. Any change in the terms requires a new approval. The government is streamlining the approval process by reducing the number of documents required to nine, or six for individual authorizations.

A body called "Espace Entreprises Monaco Business Office" helps new investors. The Monaco Welcome and Business office (MWBO) assists individuals and entrepreneurs in relocating to the **Principality of Monaco**. In the financial sector, creation of any financial organization is subject to the approval of both the French CECEI (Committee for Credit and Investment Institutions) in Paris and of Monegasque financial supervisory authorities. Offshore companies are subject to the same due diligence and suspicious transaction reporting regulations as other banking institutions.

Monaco has taken a number of initiatives to promote economic activity and make company operations more transparent while maintaining high ethical standards, including:

- creation of the legal status of Limited Liability Company
- adoption of systems to combat money laundering, organized crime and corruption (through the creation of the "*Service d'Information et de Contrôle sur les Circuits Financiers*" SICCFIN: **http://www.siccfin.gouv.mc**)
- special exemptions for new companies and research

In **Monaco**, there is no direct taxation, with two exceptions:

- companies earning more than 25% of their turnover (revenue) outside of the principality, and companies whose activities consist of earning revenues from patents and literary or artistic property rights, subject to a tax of 33.33% on profits
- French nationals unable to prove that they resided in the principality for 5 years before October 31, 1962 are subject to the French income tax.

To encourage the creation of companies, the **Principality of Monaco** offers tax incentives, exempting new companies developing a new activity from corporate tax in the first two years, and requiring them to pay only a portion of their full tax bill in the third year (25 percent), fourth year (50 percent), and fifth year (75 percent).

A research tax credit was created in March 2009. The **Principality of Monaco** announced that it would follow international norms in matters of tax transparency. In September 2009, Monaco was removed from the Organization for Economic Cooperation and Development (OECD) list of "non-cooperative" countries, or "grey list" in terms of provision of tax information. The principality has signed thirteen tax information exchange agreements (TIEA), including one with the United States on September 8, 2009.

Size of the Economy of Monaco

Monaco's GDP was €4.48 billion in 2011. The country's budget comes from taxes on industry, trade and services, a vibrant tourism sector, and several government-owned enterprises, most notably the country's famous casinos. Approximately 50% of government revenue is estimated to come from the Value Added Tax (VAT) applied by the French Administration on Monaco.

There is a high concentration of financial professionals in **Monaco**, as might be expected in this center of international business. French banking law applies in Monaco, subjecting banks to the same level of supervision as in France. Some 43 banks and 107 financial institutions operate in Monaco; the most recent figures available show them managing an estimated €750 billion for a clientele that is 46% non-resident.

2. Conversion and Transfer Policies

Foreign Exchange

France is one of eighteen countries that use the Euro currency. Exchange rate policy for the Euro is handled by the European Central Bank. Several French officials have called for a lower euro in the 2013-2014 period, saying that the strength of the euro has harmed France's export competitiveness.

Below is an excerpt from the U.S. Treasury Department's *Report to Congress on International Economic and Exchange Rate Policies* (**http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2014-4-15_FX%20REPORT%20FINAL.pdf**):

> The euro area has a freely floating exchange rate. The euro has experienced large fluctuations since the financial crisis resulting from ebbs and flows in risk aversion associated with financial stresses in the euro area. In the second half of 2013, the euro appreciated by 5.3 percent against the dollar and has been relatively stable through the first three months of 2014. On a real effective basis, the euro depreciated by 0.7 percent in the second half of 2013.
>
> The euro area's recovery has substantially lagged other developed countries, leaving economic activity at a low level. Euro area GDP is 2.7 percent below its peak in the first quarter of 2008. Private demand is more than five percent below pre-crisis levels, and unemployment is running at a near-record high of 12 percent. Following six consecutive quarters of contraction, the euro area economy returned to growth in the second quarter of 2013, with GDP expanding by 1.0 percent, on a seasonally adjusted, annualized basis, over the last three quarters of 2013.
>
> However, significant macroeconomic and financial headwinds persist. While the pace of fiscal consolidation has eased, the region's fiscal stance remains contractionary, and bank deleveraging, low real wage growth, and weak investment continue to weigh on economic activity. Moreover, growth was driven primarily by net exports in 2013. With inflation in the euro area dropping to new record lows in recent months and the risk of further financial volatility in emerging markets having an adverse impact on global demand, Europe faces the risk of a prolonged period of substantially below-target inflation or outright deflation. This would slow Europe's return to growth, further hinder the internal rebalancing that is still needed between the core and periphery, and increase the real burden of public and private debts. The European Commission forecasts that the euro area economy will grow by around 1.0 percent in 2014.
>
> The euro-area's collective current account surplus expanded to 2.2 percent of GDP in 2013, as large current account deficits in peripheral countries continued to shrink, in some cases moving into surplus largely through demand compression, while surplus countries have not reduced their current account surpluses. Both in dollar terms and as a share of GDP the euro area's surplus now exceeds China's surplus. Previous current account deficits in Italy, Spain, and the smaller economies in the periphery have turned into small surpluses in recent quarters, primarily as a result of a collapse of domestic demand and falling wages. The Netherlands and Germany, meanwhile, have continued to run substantial current account surpluses since 2011, with Germany's surplus rising to 7.4 percent of GDP in 2013.
>
> To ease the adjustment process within the euro area, countries with large and persistent surpluses need to take action to boost domestic demand growth and shrink their surpluses. For example, in Germany, domestic demand has grown faster than GDP only three times in the past ten years. German domestic demand picked up in the third quarter of 2013, but weakened in the fourth quarter, leaving domestic demand just 0.4 percent larger in the second

half of 2013 than in the first half. One sign of the subdued pace of German demand growth is that German goods imports were 1.0 percent weaker for the year. Stronger domestic demand growth in all surplus European economies is needed to help facilitate a durable rebalancing of imbalances in the euro area.

The European Union's (EU) annual Macroeconomic Imbalances Procedure, developed as part of the EU's increased focus on surveillance, recently identified Germany's current account surplus as an imbalance which requires monitoring and policy action. Notably, the EU stated that, given the size of the German economy, action was particularly important to reduce the risk of adverse effects on the functioning of the euro area. While identification of Germany is a welcome step, as are the EC's recommendations for measures to bolster investment and demand growth, it remains to be seen whether the procedure can produce robust recommendations or policies aimed at the euro area aggregate fiscal stance and symmetric rebalancing.

(Source: **http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2014-4-15_FX%20REPORT%20FINAL.pdf**)

All inward and outward payments must be made through approved banking intermediaries by bank transfers. There is no restriction on the repatriation of capital. Similarly, there are no restrictions on transfers of profits, interest, royalties, or service fees. Foreign-controlled French businesses are required to have a resident French bank account and are subject to the same regulations as other French legal entities. The use of foreign bank accounts by residents is permitted.

For purposes of controlling exchange, the French Government considers foreigners as residents from the time they arrive in France. French and foreign residents are subject to the same rules; they are entitled to open an account in a foreign currency with a bank established in France, and to establish accounts abroad. They must report all foreign accounts on their annual income tax returns, and money earned in France may be transferred abroad.

France established its own tax-haven black list in February 2010, and updates it periodically. France uses its powers under national law to freeze terrorist's assets, and cooperates internationally and at the United Nations on terrorist financing issues. As part of international efforts to combat money laundering and the financing of terrorism, France introduced regulations tightening reporting on checks, their amounts, origins and destinations, as recommended by the Financial Action Task Force (a 34-nation intergovernmental body).

Remittance Policies

France's investment remittance policies are stable and transparent.

France is a member of the Financial Action Task Force (FATF), playing a prominent role as a founding member. As reported in the Department of State's France Report on Terrorism, the French Government has a comprehensive anti-money laundering/counterterrorist financing (AML/CTF) regime and is an active partner in international efforts to control money laundering and terrorist financing. Since 2011, the French Government has considerably expanded its financial intelligence/enforcement unit -- "TracFin." TracFin also became more active within international organizations. In April 2012, France's bank supervisor, the Prudential Control Authority ("*Autorité de contrôle prudentiel*") updated its guidance on vigilance measures concerning fund transfers.

3. Expropriation and Compensation

Under French law, private investors are entitled to compensation if their properties are expropriated, and such compensation must be prompt and adequate. This is reflected in France's bilateral investment treaties. There have been no recent disputes involving expropriation of U.S. investments.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

France's Tribunal of Commerce ("*Tribunal de Commerce*") ("TDC") specializes in commercial litigation. Magistrates of the commercial tribunals are lay judges, who are well-known in the business community and have experience in the sectors they represent. Decisions by the commercial courts can be appealed before the Court of Appeals. France also has an administrative court system to challenge a decision by local governments and the national government; the State Council ("*Conseil d'Etat*") is the appellate court.

France enforces foreign legal decisions such as judgments, rulings and arbitral awards through the procedure of exequatur introduced before the *Tribunal de Grande Instance* (TGI), which is the court of original jurisdiction in the French legal system.

France has a distinctive system of protection of intellectual and industrial property rights, applicable not only to artistic or creative rights approximately equivalent to copyright, but also to designs, drawings, patents and trademarks. Firms can register and protect innovation on French territory with the centralized authority for registering industrial property rights, the INPI (*Institut National de la Propriété Industrielle*, **http://www.inpi.fr**). French attorneys are qualified and specialized in the specific field of intellectual property. No French commercial court has a monopoly of intellectual property rights. The French Courts are frequently called upon to decide claims from holders of intellectual property rights.

With regard to French patents, actions are generally brought before the High Court of Instance (*Tribunal de Grande Instance*), however questions of jurisdiction may arise concerning foreign patents. The French judicial system is independent, competent, and substantively fair and reliable. Firms can also protect their rights on the European territory or in foreign countries. Cases related to intellectual property rights on a "European community brand" can be brought to the European courts or the European Court of Justice. French courts must recognize and enforce judgments of foreign courts.

Bankruptcy

France has very detailed bankruptcy regulations. Any creditor, regardless of the amount owed, may file suit in bankruptcy against a debtor. Foreign creditors, equity shareholders and foreign contracts holders have the same rights as their French counterparts. Monetary judgments by French courts on firms established in France are generally made in euros. Not bankruptcy, but bankruptcy fraud, the misstatement by a debtor of his financial position in the context of a bankruptcy, is criminalized. The French bankruptcy law was amended in 2012 to prevent managers and other entities responsible for the bankruptcy of a French company, to escape liability by shielding their assets (Law 2012-346). Also in 2012, France passed a law that enables debtors to implement a restructuring plan with financial creditors only, without affecting trade creditors. France is ranked 46 out of 189 for ease of resolving insolvency according to the *World Bank Doing Business Report*.

Investment Disputes

In the past ten years, investment disputes involving U.S. or other foreign investors have been relatively rare though not unheard of.

French regulations in reaction to various potential or proven risks to the environment or human health have made market access for some U.S. energy and biotech companies more difficult. France banned hydraulic fracking in 2011 and revoked exploration licenses held by U.S. firms, including Schuepbach Energy LLC and Hess Oil, in 2013. France's constitutional court ruled that a July 13, 2011 law banning fracking was "pursuing a legitimate goal in the general interest of protecting the environment." In April 2014, the government temporarily suspended the ongoing debate within the government on the pros and cons of fracking and it is not yet clear how this debate will evolve. U.S. biotech producers Monsanto, Pioneer/Hi-Bred (a DuPont company), and Dow Agro Sciences are present in France, but face on and off bans on genetically modified organisms (GMO) and application of the "precautionary principle" (under which protections can be relaxed only if further scientific findings emerge that provide sound evidence that no harm will result).

International Arbitration

France is a member of the **International Centre for Settlement of Investment Disputes (ICSID)** and signatory to the 1958 **New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards**. France was one of the first countries to enact a modern arbitration law in 1980 and 1981. In 2011, the French Ministry of Justice issued Decree 2011-48 which introduced further international best practices into French arbitration procedural law. As a result of that decree, parties are free to agree orally to settle their disputes through arbitration, and the arbitrators to apply their chosen procedure, subject only to minimum standards of due process and a newly enacted principle of procedural celerity and fairness. The President of the *Tribunal de Grande Instance* (Civil Court of First Instance) of Paris has the authority to issue orders related to ad-hoc international arbitration (i.e., not institutional arbitration). Paris is the seat of the International Chamber of Commerce's International Court of Arbitration, composed of representatives from 90 countries. Basic texts governing international arbitration in France can be found at **http://www.parisarbitration.com/documentation.php#basic-legal-texts**.

Duration of Dispute Resolution

The timeframe for dispute resolution varies considerably -- up to two years (all forms of appeal included). For emergency situations, a so-called "référé" procedure is available provided there is a danger of irreparable harm; this expedited procedure takes just a few days.

5. Performance Requirements and Investment Incentives

France complies with the **World Trade Organization's Trade-Related Investment Measures (TRIMS)** requirements. While developing new draft legislation, the French Government submits a copy to the World Trade Organization (WTO) for the WTO's review to ensure the prospective legislation is not inconsistent with its WTO obligations.

Investment Incentives

France offers a range of financial incentives, generally equally available to both French and foreign investors.

The French Government introduced a competitiveness and employment tax credit ("*Crédit d'Impôt pour la Compétitivité et l'Emploi*" - CICE), effective January 2013, that reduces payroll taxes paid by SMEs, and temporarily exempts some firms based on geographic location (urban tax-free zones, rural regeneration zones, etc.) or status as an innovative start-up. Detailed information is provided in English on the Economic Ministry website at **http://www.economie.gouv.fr/ma-competitivite/tax-credit-for-encouraging-competitiveness-and-jobs** or in French at **http://www.ma-competitivite.gouv.fr**.

Recognizing that French corporate tax rates are high compared to those in other leading industrial countries, the government plans to gradually reduce the nominal corporate tax rate from 33 percent to 28 percent by 2020, on top of tax credits already in place.

For movie makers, the French Government has increased the maximum tax credit per foreign film from €4 million ($5.54 million) to €10 million ($13.8 million) applicable in 2014.

The government is also expected to inaugurate a plan to incentivize corporate venture investment in small companies. Under the plan, a French company or French subsidiary of a foreign company that invests in cash for a minority shareholding (less than 20%) in a small, innovative SME, either directly or indirectly (i.e., through a fund), would benefit from a five year, linear amortization of their investment. To qualify, SMEs must allocate at least 15% of their spending on research, or their product's processes or technique must have been recognized as innovative by the Public Investment Bank (**http://www.bpifrance.fr**).

France's domestic planning and investment promotion agency, DATAR (*Delegation Interministerielle a l'Amènagement du Territoire et à l'Attractivite Regionale*) has a broad mandate to attract and assist foreign investors. DATAR (**http://www.datar.gouv.fr**) offers local, regional and national subsidies and tax incentives for investment in less affluent areas, and maintains offices throughout France and around the world to provide advice and assistance. DATAR's overseas offices are called "Invest in France Agencies" (IFA), or IFANA in North America (**http://www.invest-in-france.org/us**). There are three IFA offices in the United States:

North and East: IFANA New York Philippe Parfait, Director 1700 Broadway, Suite 3000 New York, NY 10019	West and South: IFANA San Francisco Caroline Laporte, Director 88 Kearny Street, Suite 700 San Francisco, CA 94108	Midwest: IFANA Chicago Michel Gilbert, Director 205 North Michigan Ave, Suite 3750 Chicago, IL 60611

Tel: (212) 757-9340 Fax: (212) 245-1568 **usa@investfrance.org**	Tel: (415) 781 0986 Fax: (415) 781 0987 **usa@investfrance.org**	Tel: (312) 628-1054 Fax: (312) 628-1033 **usa@investfrance.org**

The primary investment incentive offered by DATAR is a regional planning grant (*Prime d'Aménagement du Territoire* - PAT) for investment in an eligible geographical zone. To qualify, investors are required to create jobs (see Performance Requirements), but the subsidies can be generous, and the system is even more flexible for SMEs. Other incentives include:

- R&D project grants for businesses located in competitiveness clusters
- Special tax treatment for company headquarters
- Local and regional tax holidays and subsidies
- "Industrial conversion" zones featuring tax breaks and grants for job creation
- Special access to credit for SMEs
- Assistance for training, including a portion of wages paid to employees in training.

Besides DATAR/IFA at the national level, several French cities and regions have developed their own investment promotion agencies that advise potential investors, offer administrative assistance, and oversee investment incentives. Regional councils are empowered to provide direct aid to companies. All incentives are subject to EU regulations.

Research and Development

U.S. and other foreign firms are able to participate in research and development programs on a national treatment basis. France has developed two tax regimes benefitting research and innovation, namely the Research Tax Credit (*Crédit Impôt Recherche* - CIR) and tax incentives for new, innovating firms (*Jeune Enterprise Innovante* - JEI). The Research Tax Credit, expected to total €5.8 billion ($8 billion) in 2014, covers 30% of all R&D costs up to €140 million ($193.73 million), and 5% above this threshold. SMEs are also eligible up to €110,000 ($152,220) a year. New, innovative firms are entitled to payroll tax exemptions during their first eight years provided they invest at least 15% of their expenditure in research and development.

The French Government sponsors research and development programs at three different levels:

- *International/European programs* (e.g., ESA, CERN, EUREKA, EU Framework program). France is competing more actively for European R&D funding. In 2014, the EU launches its new seven-year R&D funding cycle with the framework program "Horizon 2020" (over €70 billion for 2014-2020), with three focus points: **Excellent Science** (top scientists and younger researchers); **Industrial Leadership** (areas like ICT, nanotechnologies, advanced manufacturing, robotics, biotechnologies and space); and **Societal Challenges** (e.g., **health**; **agriculture**, maritime and bioeconomy; **energy**; **transport**; climate action, environment, resource efficiency and raw materials; reflective societies; and **security**).
- *National research programs* (mostly administered by the Higher Education and Research Ministry (MESR). The Administration is setting new R&D priorities to be released in May 2014. French priorities will be aligned with EU-wide Horizon 2020 framework priorities (above).

- *Private sector programs*. A significant portion of French R&D expenditures in France are funded by the private sector, particularly by the **automotive**, pharmaceutical, and **aerospace** industries.

See **http://www.invest-in-france.org/Medias/Publications/1974/2012-report-job-creating-foreign-investment-in-france.pdf**.

Performance Requirements

While there are no mandatory performance requirements established by law, the French Government will generally require commitments regarding employment or R&D from both foreign and domestic investors seeking government financial incentives. Incentives like PAT regional planning grants (*Prime d'Aménagement du Territoire*) and related R&D subsidies are based on the number of jobs created, and authorities have occasionally sought commitments as part of the approval process for acquisitions by foreign investors.

The French Government imposes the same conditions on domestic and foreign investors in cultural industries: all “purveyors” of movies and television programs (i.e., television broadcasters, telecoms operators, internet service providers and video **services**) must invest a percentage of their revenues to finance French **film and television** productions. They must also abide by broadcasting content quotas (minimum 40% French, 20% EU).

No data localization measures have been implemented yet, but there is ongoing discussion among the government, civil society, and companies on proposals to encourage data localization.

6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all sorts of remunerative activities.

U.S. investment in France is subject to the provisions of the Convention on Establishment between the United States of America and France, which was signed in 1959 and remains in force. The rights it provides U.S. nationals and companies include:

- Rights equivalent to those of French nationals in all commercial activities (excluding **communications**, air transportation, water transportation, banking, the exploitation of natural resources, certain "professions," and the production of electricity);
- Treatment equivalent to that of French or third country nationals with respect to transfer of funds between France and the United States;
- Property protected from expropriation except for public purposes, accompanied by payment that is just, realizable and prompt.

The treaty does not apply to the use or production of fissionable materials, arms or any materials used directly or indirectly to supply military establishments, and does not prevent application of measures necessary to protect essential security interests.

7. Protection of Property Rights

Real Property

In the World Bank's *Doing Business Report* (DBR), France is ranked 149 of 189 for registering property (its worst score on the ten DBR metrics), reflecting the difficulty businesses face in securing rights to property (in terms of the number of steps, time, and cost involved in registering property). The right to real property is regulated by the French civil code. French civil-law notaries ("*notaires*") -- highly specialized lawyers in private practice appointed as public officers by the Justice Ministry -- handle residential and commercial conveyancing and registration, contract drafting, company formation, successions and estate planning. The official system of land registration, the "*cadaster*," is maintained by the French public land registry, under the auspices of the French tax authority (*Direction Générale des Finances Publiques* - DGFiP).

Intellectual Property Rights

France is a strong defender of intellectual property rights. Under the French system, patents and trademarks protect industrial property, while copyrights protect literary/artistic property. By virtue of the Paris Convention and the Washington Treaty regarding industrial property, U.S. nationals have a "priority period" following filing of an application for a U.S. patent or trademark in which to file a corresponding application in France: twelve months for patents and six months for trademarks.

Counterfeiting is a costly problem for French companies, and the Government of France maintains strong legal protections and a robust enforcement mechanism to combat trafficking in counterfeit goods -- from copies of luxury goods to fake medications -- as well as the theft and illegal use of intellectual property. The French Intellectual Property Code has been revised repeatedly over the years. On February 26, 2014, the French Parliament adopted a bill reinforcing France's anti-counterfeiting law, which is based on an October 29, 2007 law that implements the April 29, 2004 EU directive on intellectual property rights. The new legislation increases the Euro amount for damages to companies that are victims of counterfeiting and extends trademark protection to smart card technology, certain geographic indications, plants, and agricultural seeds. The new legislation also increases the statute of limitations for civil suits from three to ten years and strengthens the powers of customs officials to seize fake goods sent by mail or express freight. Finally, the new legislation requires the establishment of a database that will centralize all relevant information from French customs and mail and freight operators.

France has robust laws against online piracy. The government agency called the High Authority for the Dissemination of Artistic Works and the Protection of Rights on Internet (*Haute Autorité pour la Diffusion des Œuvres et la Protection des droits sur Internet* - HADOPI) administers a "graduated response" system of warnings and fines and it has taken action against online pirate sites including Megaupload in 2012. HADOPI cooperates closely with the U.S. Patent and Trademark Office (USPTO) as well as with the White House Office of the Intellectual Property Enforcement Coordinator to share best practices, including pursuing voluntary arrangements that target intermediaries that facilitate or fund pirate sites.

For additional information about treaty obligations and points of contact at local IP offices, please see the World Intellectual Property Organization's (WIPO) country profiles at **http://www.wipo.int/directory/en/**.

Resources for Rights Holders:

Robert W. Gerber, Economic Affairs Officer, U.S. Embassy Paris. Tel: +33-1-4312-2524, GerberRW@state.gov.

http://france.usembassy.gov/business/france.html http://france.usembassy.gov/judicial.html

http://www.amchamfrance.org/en/contact

http://www.amchamfrance.org/en/business_center/living_and_working_in_france/5

8. Transparency of the Regulatory System

The French Government has made considerable progress in recent years on the transparency and accessibility of its regulatory system. A major reform in 2009 extended the investigative and decision-making powers of France's Competition Authority, and in 2011 the Authority published its methodology for calculating fines imposed on companies charged with abuse of a dominant position. In 2012, it issued specific guidance on competition law compliance, and government ministers, companies, consumer organizations and trade associations now have the right to petition the authority to investigate anti-competitive practices. While the authority alone examines the impact of mergers on competition, the Minister of the Economy retains the power to request a new investigation or reverse a merger transaction decision for reasons of industrial development, competitiveness or maintenance of employment.

The French Government generally engages in industry and public consultation before drafting legislation or rulemaking through a regular but variable process directed by the relevant ministry. However, the text of draft legislation is not always publically available before parliamentary approval. The French Government has recently experimented with new procedures such as online industry consultations for input related to the U.S.-EU Transatlantic Trade and Investment Partnership (TTIP) and the EU-Japan FTA as well as mandatory impact assessments. Although more open than before, French practices appear to be somewhat less transparent and less systematic than EU public notice and comment procedures, according to industry feedback.

To increase transparency in the French legislative process, since 2009 all ministries are required to attach an impact assessment to their draft bills. The Prime Minister's Secretariat General (SGG for Secrétariat Général du Gouvernement) is responsible for ensuring that impact studies are undertaken in the early stages of the drafting process. The State Council (Conseil d'Etat), which must be consulted on all draft laws and regulations, may reject a draft bill if the impact assessment is insufficient.

Foreign companies have expressed concern regarding the setting of standards. Rigorous testing and approval procedures are sometimes required before goods approved in the United States are cleared for sale in France. The United States and the EU have negotiated mutual recognition agreements covering the testing and certification of some products, but French standards apply where EU-wide standards do not exist. More information on these agreements can be found on the websites of the International Bureau of Weights and Measures at http://www.bipm.org, the U.S. Commerce Department’s International Trade Administration (ITA) at http://www.trade.gov, and the U.S. National Institute of Standards and Technology at http://www.nist.gov. U.S. firms may also find it useful to become members of industry associations, which play an influential role in developing government policies. Even "observer" status can offer insight into new investment opportunities and greater access to government-sponsored projects.

9. Efficient Capital Markets and Portfolio Investment

There are no administrative restrictions on portfolio investment in France, and there is an effective regulatory system in place to facilitate portfolio investment.

Liquidity and Access to Capital Markets

France’s open financial market allows foreign firms easy access to a variety of financial products both in France and internationally. France continues to modernize its marketplace; as markets expand, foreign and domestic portfolio investment has become increasingly important. As in most EU countries, French listed companies are required to meet international accounting standards. Some aspects of French legal, regulatory, and accounting regimes are less transparent than U.S. systems, but they are consistent with international norms.

France’s banking system has recovered gradually from the 2008-2009 global financial crisis. The assets of France's largest banks totaled €6.8 trillion ($9 trillion) at the end of 2012. Commercial banks offer all classic financing instruments, including short, medium, and long-term loans, short-and medium-term credit facilities, and secured and non-secured overdrafts. They assist in public offerings of shares and corporate debt, as well as mergers, acquisitions and takeovers, and offer hedging services against interest rate and currency fluctuations. Foreign companies have access to all banking services. Although subsidies are available for home mortgages and small business financing, most loans are provided at market rates.

Euronext Paris (also known as Paris Bourse), the primary French stock exchange, created “Alternext” to offer companies an unregulated market (based on the legal definition of the European investment services directive) with more consumer protection than the “Marché Libre” still used by a couple hundred small businesses for their first stock listing. A company seeking a listing on Alternext must have a sponsor with status granted by NYSE-Euronext, and prepare a French language prospectus for a permit from "Autorité des Marchés Financiers - AMF,” the French equivalent of the U.S. Securities and Exchange Commission. Since May 2013, small and medium-size enterprises (SMEs) may list on EnterNext, a new subsidiary of the Euronext Group.

Drawing on its pan-European presence, EnterNext brings together all Euronext Group initiatives for companies listed in the B compartment (valued between €150 million and €1 billion) and the C compartment (market capitalization of less than €150 million) of its regulated European markets and on Alternext. Foreign companies can provide statements in English with a short summary in French. Details may be found on the AMF web site (http://www.amf-france.org), and more information is available on the Paris Stock Exchange website (http://www.bourse-de-paris.fr and http://www.euronext.com/en/markets/nyse-euronext/paris).

Foreigners held 46.3 percent of the capital of large publicly traded French companies (CAC 40) as of December 2012. An intricate network of cross-shareholdings among French corporations has often been seen as a barrier to foreign acquisition; often, two French companies will own a significant share of each other, with the same executives sitting on both Boards of Directors. This has grown less common in recent years under pressure from the marketplace.

Mergers and Acquisitions

French takeover law is designed to limit hostile takeovers of publicly traded companies. Shareholders are required to disclose holdings in French listed companies to both the AMF and the listed company whenever holdings reach or exceed 5 percent of the company's shares or voting rights, and thereafter every time the holding reaches or exceeds 10, 15, 20, 25, 33 1/3, 50, 66 2/3, 90 or 95 percent. Anticipating revisions to the EU Transparency Directive, AMF implemented a law requiring cash-settled instruments to be aggregated in calculations of major shareholdings of French listed companies, and included in declarations of intent.

A hostile takeover of a French company by a foreign investor could face public and even governmental scrutiny. French companies can suspend implementation of a takeover when targeted by a foreign company whose country of origin does not apply reciprocal rules, and French regulations allow a U.S.-style "poison pill" takeover defense, including granting existing shareholders and employees the right to increase their leverage by buying discounted shares through stock purchase warrants.

In 2013, the French Minister of Industry expressed the desire of the French Government to take new measures designed to protect French companies against hostile takeover bids. Measures focus on the fight against creeping takeovers, the development of long-term shareholder equity and the softening of the conditions governing the issuance of so-called "poison pills." The bill called "Proposal aimed at reconquering the real economy" ("*Loi visant à reconquérir l'économie réelle*") was published in the French Register ("*Journal Officiel*") on April 1, 2014.

10. Competition from State-Owned Enterprises

The French Government has shareholdings in 72 companies (listed at: **http://www.economie.gouv.fr/agence-participations-etat**). SOEs dominate common carrier **transportation** (rail, bus, air) and are active in **energy**, **defense**, and the **media**.

The French Government maintains stakes in Aéroports de Paris (50.63%), Air France KLM (15.88%), Areva (14.33%), CNP Assurances (1.1%), Airbus Group (EADS) (12%), EDF (84.44%), Orange (a direct 13.45% stake and a 13.5% stake through BPI France), GDF-Suez (36.74%), PSA (14%), Renault (15.01%), Safran (27.1%), and Thalès (27.08%), and in unlisted companies including SNCF (rail), RATP (public transport), CDC and La Banque Postale (banks). The government also has majority and minority stakes in small firms in a variety of sectors.

Guidelines on Corporate Governance of SOEs Companies owned or controlled by the state behave largely like other companies in France and are subject to the same laws and tax code. The Boards of SOEs operate according to accepted French corporate governance principles as set out in the (private sector) AFEP-MEDEF Code of Corporate Governance. SOEs are required by law to publish an annual report, and the French Court of Audit conducts financial audits on all entities in which the state holds a majority interest. The French Government appoints representatives to the Boards of Directors of all companies in which it holds significant numbers of shares, and manages its portfolio through a special unit attached to the Economics Ministry, the shareholding agency APE ("Agence de Participations de l'Etat"). In its 2013 annual report, the APE highlighted the government's new strategy to keep a "sufficient level of control in strategically important companies" while scaling back its shareholdings in traditional industrial sectors to invest in growth companies "in key sectors for economic growth." The sale of some of its stakes (e.g., in jet engine firm Safran, **aerospace** conglomerate EADS/Airbus Group and Aéroports de Paris) illustrated that strategy, generating €1.9billion ($2.63 billion) in public funds, and enabling the government to invest in its Public Investment Bank (BPI). The BPI has begun acquiring minority stakes in companies, for shorter periods than is generally the case for the government, to promote regional growth, support innovation, and help finance **environmental technologies** and industries of the future.

Sovereign Wealth Funds France has no sovereign wealth fund (SWF) per se, but does operate funds with similar intent. The Strategic Investment Funds ("*Fonds Strategique d'Investissement* - FSI") was created in 2008. It was owned by the government and the state-owned Caisse des Depots et Consignations (CDC). In 2012, FSI was merged with OSEO (involved in financial support to small businesses) and CDC Entreprises to form the Public Investment Bank ("*Banque Publique d'Investissement* –BPI). BPI France's role is to support small and-medium term enterprises (SMEs), larger enterprises ("*Entreprises de Taille Intermedaire*") and innovating businesses. The government strategy is defined at national level and aims to fit with local strategies. BPIexport was created in 2013 as part of an initiative to encourage SMEs to export. All investment made by BPIFrance is domestic. BPIFrance may hold direct stakes in companies, hold indirect stakes via generalist or sectorial funds, venture capital, development or transfer capital. It has taken minority stakes in firms and 250 investment funds, including 90 local investment funds that invest in businesses.

11. Corporate Social Responsibility

Guidelines for Multinational Enterprises France has been a long-time advocate of Corporate Social Responsibility principles both internationally and domestically and there is an exceptionally high degree of awareness of CSR among both producers and consumers. France has played an active role in negotiating the ISO 26000 standard (2010), the International Finance Corporation Performance Standards (revised 2010), the OECD Guidelines for Multinational Enterprises (revised in 2011), and the UN Guiding Principles on Business and Human Rights (2011). France was one of the first European countries to support the Extractive Industries Transparency Initiative (EITI) launched at the Evian G7 Summit in 2003 although it has not yet implemented it. In June 2012, France, together with Brazil, Denmark and South Africa, launched the Group of Friends of Paragraph 47 of the Rio +20 outcome document on sustainable development, which seeks to promote greater transparency through corporate social and sustainability reporting.

Since 2012, all large companies in France are required to publish an annual report on CSR activities.

12. Political Violence

France is a politically stable country and political violence is relatively uncommon. Occasionally, large demonstrations and protests occur (sometimes organized to occur simultaneously in multiple French cities), and they sometimes (though rarely) lead to violence.

When faced with imminent business closures, on rare occasions French trade unions have resorted to confrontational techniques such as setting plants on fire, planting bombs or kidnapping executives or managers -- as was the case earlier this year at a Goodyear plant in northern France. So-called "boss-nappings" of senior managers also occurred at three U.S. industrial groups in 2009 although none resulted in injury. To remedy the situation and switch from a confrontation approach to labor disputes to a more conciliatory one, the government introduced new labor laws in 2014 that encourage negotiated settlements over conflict.

13. Corruption

Transparency International (TI) ranks France 22nd on its corruption perception index, but maintains that France continues to face corruption challenges in certain areas (**http://www.transparency.org/country#FRA_Overview**). According to Transparency International's chapter in France, the sectors most affected by corrupt practices are public works and the **defense** industry. TI France (**http://www.transparency-france.org**) works with French companies of all sizes to discourage and avoid corruption when investing in foreign countries. Transparency International's website has material on the international fight against corruption, and France-specific information is posted at **http://www.transparency.org/country#FRA**. There have been no specific complaints from U.S. firms of unfair competition or investment obstacles due to corrupt practices in France in recent years.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

France became party to the OECD Anti-Bribery convention in 2000 and to the UN Anticorruption Convention in 2003. The Phase 3 report on France by the OECD Working Group on Bribery in International Transactions published on October 2012 chastised France for the very small number of convictions for bribery of foreign public officials (four individuals but no company) and suggested that it is partly due to the fact that victims of foreign bribery (except corruption occurring within the EU) are prohibited from being civil parties to proceedings and initiating criminal cases. The Working Group further called for stricter limits on national security confidentiality, a point also recently cited by the Council of Europe Group of States against Corruption (GRECO). At the same time, the OCED Working Group welcomed the greater independence of public prosecutors and the efficacy of the French anti-money laundering authority TracFin in reporting cases.

Resources to Report Corruption

The Central Office for the Prevention of Corruption ("*Service Central de Prévention de la Corruption*" or SCPC) is responsible for combating corruption. The SCPC is an inter-ministerial agency formally attached to the French Ministry of Justice. Established by Law 93-122 (January 29, 1993) on the prevention of corruption and the transparency of business and public procedures, its main role is to collect information regarding corruption-related offences and use it to prevent corruption. As part of that mandate, the SCPC publishes an annual report providing detailed statistics on corruption-related offenses and convictions. In its latest report, the agency called for the introduction of a legal requirement for large companies to implement an anti-corruption program similar to that imposed on businesses under the 2010 U.K. Bribery Act. A 1968 French law referred to as the "blocking statute" prohibits the communication of economic, commercial, industrial, financial or technical information or documents as part of foreign judicial proceedings, but the SCPC has served as a conduit (a role it would like to be formalized in an amendment to the blocking statute) between French companies and foreign bodies like the U.S. Department of Justice and the U.S. Securities and Exchange Commission.

Contact information for the SCPC (Central Office for the Prevention of Corruption):

Mailing Address :	Physical Address:
Service Central de Prévention de la Corruption	Service Central de Prévention de la Corruption
13, Place Vendôme	5, boulevard de la Madeleine
75042 Paris Cedex 01	75001 Paris
Email : scpc@justice.gouv.fr	Tel : (+33) 1 44 77 69 65

Contact information for Transparency International's French affiliate:

- Transparency International France
- 14, passage Dubail
- 75010 Paris
- Tel: (+33) 1 84 16 95 65; Email: contact@transparency-france.org

14. Bilateral Investment Agreements

Bilateral Investment Treaties The United States and France do not have a Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA).

Investments in France by other EU member states are governed by the provisions of the Treaty of Rome and by Union Law. France has signed Bilateral Investment Treaties (BITs) with the following 91 countries: Albania, Algeria, Argentina, Armenia, Azerbaijan, Bahrain, Bangladesh, Bolivia, Bosnia and Herzegovina, Bulgaria, Cambodia, Chile, China, the Democratic Republic of the Congo, Costa Rica, Croatia, Cuba, Czech Republic, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Estonia, Ethiopia, Georgia, Guatemala, Haiti, Honduras, Hong Kong, Hungary, India, Indonesia, Iran, Israel, Jamaica, Jordan, Kazakhstan, Korea (South), Kuwait, Kyrgyz Republic, Laos, Latvia, Lebanon, Liberia, Libyan Arab Jamahiriya, Lithuania, Macedonia, Madagascar, Malaysia, Malta, Mexico, Moldova, Mongolia, Morocco, Mozambique, Nepal, Nicaragua, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, , Qatar, Romania, Russian Federation, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, South Africa, Sri Lanka, Sudan, Syria, Tajikistan, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, Vietnam, Yemen. (**http://unctad.org/Sections/dite_pcbb/docs/bits_france.pdf**)

Bilateral Investment Treaties signed with the following 11 countries have yet to be ratified: Belarus, Brazil, Chad, Djibouti, Ghana, Iraq, Kenya, Mauritius, Syrian Arab Republic, Zambia and Zimbabwe. The list of ratified and non-ratified BITs is on the UNCTAD website.

French BITs generally cover the following:

- Just and equitable treatment no less favorable than that accorded to domestic investors or the most favored investors from a third country;
- Restrictions on expropriation of investments, and requirements that, in the case of expropriation, compensation is prompt and adequate;
- Free transfers;
- The ability to resolve investor-state disputes through binding international arbitration.

U.S.-France Convention on Establishment

U.S. investment in France is subject to the provisions of the Convention on Establishment between the United States of America and France, which was signed in 1959 and remains in force. The rights it provides U.S. nationals and companies include:

- Rights equivalent to those of French nationals in all commercial activities (excluding **communications**, air transportation, water transportation, banking, the exploitation of natural resources, certain "professions," and the production of electricity);
- Treatment equivalent to that of French or third country nationals with respect to transfer of funds between France and the United States;
- Property protected from expropriation except for public purposes, accompanied by payment that is just, realizable and prompt.

The treaty does not apply to the use or production of fissionable materials, arms or any materials used directly or indirectly to supply military establishments, and does not prevent application of measures necessary to protect essential security interests.

Bilateral Taxation Treaties

The United States and France have a bilateral tax treaty addressing, among other things, double taxation and tax evasion. The two countries signed a bilateral information exchange agreement related to the U.S. Foreign Account Tax Compliance Act (FATCA), which aims to combat off-shore tax evasion by U.S. taxpayers. Effective July 1, 2014, French banks and financial institutions will have to disclose names and addresses of U.S. account holders, as well as balances, receipts, and withdrawals to the U.S. Internal Revenue Service (IRS).

15. OPIC and Other Investment Insurance Programs

Given France's high per capita income, investments in France do not qualify for investment insurance or guarantees offered by the Overseas Private Investment Corporation (OPIC). Further information can be found on the OPIC website (**http://www.opic.gov**).

16. Labor

Current labor market

France's private sector labor force is a major asset in attracting foreign investment, despite the relatively high cost of labor and rigid labor regulations.

Unemployment has risen sharply during the post-2008 economic crisis. The number of unemployed rose to an all-time high in February 2014: more than 3.3 million unemployed, over 2 million of them out of work for more than a year. The rate of unemployment is also high, at 9.8 percent in mainland France and 10.2 percent overall (including overseas territories) in the fourth quarter of 2013. Regional disparities are significant, with unemployment rates ranging from 7 percent to 14 percent.

The unemployment rate among those aged 20-24 has not dropped below 16 percent in nearly 30 years, and has flirted with 22 percent since 2009. Many in the 20-24 age bracket have been affected by the growing problem in low-growth European countries: the young and educated unemployed go from one internship to another, one short-term contract to another, but cannot find a permanent job that gets them on the path to the taxpaying, property-owning French ideal that was the norm for decades. The number of job-seekers over age 50 has doubled since 2008. Underemployment (defined as part-time workers unable to find full-time positions) increased from 212,000 to 1.2 million between 2006 and 2013. Two-thirds of the underemployed are women.

Labor rights

Working conditions are generally excellent in France and workers are well-protected. The labor code sets minimum standards for working conditions including the workweek, layoffs, overtime, vacation and personal leave. The 35-hour work week is standard and most French retire at age 62. Work contracts follow requirements stipulated in industry-wide collective bargaining agreements. For example, an employee of a large company who is laid off for economic reasons may benefit from training, short-term contracts, or transfer to another company. Other labor standards are contained in collective agreements, usually negotiated by sector (at a national or regional level) by various trade union federations and employers' associations. Additionally, occupational health and safety committees are mandatory under French law in medium and large size companies. Companies with more than 10 employees must begin to meet a wider range of administrative requirements and companies with 50 or more employees face a very large number of administrative and health regulations.

For a review of French compliance with international labor standards, see: **http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2013&dlid=220279**.

Labor-Management Relations

While the rate of union membership in France (around 8 percent overall; 5 percent in the private sector and 14 percent in the public sector) has steadily declined to just over half that of the United States, French labor law provides an extensive institutional role for employee representatives and organized labor. This is due in part to the fact that union delegates represent all employees (nonmembers and members alike). In addition, at companies with 50 or more employees, management is required to meet regularly with the workers council and health-and-safety council on an array of managerial decisions. French unions thus continue to play a significant (even outsized) role in labor-management relations. Indeed, the top five unions and the top three employer associations (collectively known as the "*partenaires sociaux*") have a statutory role in national-level negotiations. Strikes are common in France, part of the social fabric even, but do not pose a more serious commercial risk to foreign investors than to local ones.

Labor tribunals (playing a role largely equivalent to the U.S. National Labor Relations Board in resolving labor disputes) are comprised of equal numbers of union and employer representatives. Appeals are possible to the level of the "*Cour de Cassation*," one of France's high courts.

New labor laws

The government that came into office in May 2012 has introduced three significant new labor laws. Their existence is evidence of a long-term shift from confrontational labor standoffs to negotiated solutions. The first, a new "employment security" law, was introduced on January 11, 2013 following a negotiated agreement between a majority of trade unions and employers' organizations. Five years after signing their first labor market flexibility agreement, which introduced labor contract termination by mutual consent, this new "flexicurity law" gives struggling companies up to two years of enhanced flexibility on wages and part-time employment, and establishes portable individual accounts for training and unemployment insurance. At the same time, to discourage the "over-use" of short-term contracts, the flexicurity law increases employers' contribution to unemployment insurance from 4 percent to 7 percent for contracts of less than a month, to 5.5 percent for contracts of one to three months, and 4.5 percent for contracts of more than three months. The impact of these measures is likely to be greatest in the hotel and restaurant sectors. Finally, the new law sets a minimum of 24 hours a week for part-time employment.

The second, the government's January 21, 2014 pension reform law, does not change the legal age of retirement, which remains unchanged at 62, but it extends the pension contribution period for both public and private sector employees from 41.5 to 43 years by 2035. The new law further provides for a general 0.3% rise in employee and employer pension contributions over a period of four years. Finally, the text provides for the creation of an individual hardship prevention account from 2015, enabling employees exposed to certain hardship factors, such as night or dangerous work, to benefit from a reduced contribution period to gain entitlement to a full pension. The law will be implemented by further government decrees laying out the new requirements for employers to notify daily and for each employee separately the new "pension points" that will be part of employees' personal hardship accounts.

The third is a February 27, 2014 law on vocational training that grants workers (as of January 1, 2015) an individual vocational training account (of up to 150 hours over 8 years) that is portable when the employee moves to a new employer. These individual training accounts will be financed by employers at 0.55% to 1% of staff wages depending on the size of the company. The new law also stipulates that companies help finance the trade unions, though the contribution formula and mechanism were not specified.

The French government currently has imposed a 75 percent marginal income tax rate that employers must pay on the portion of individual employees' salaries exceeding €1 million ($1.38 million) per year.

17. Foreign Trade Zones/Free Ports

France is subject to all European Union free trade zone regulations. These allow member countries to designate portions of their customs territory as free trade zones and duty-free warehouses in return for commitments favoring employment. France has several, which benefit from exemptions on corporate taxes, payroll taxes, and real estate taxes. The French Customs Service administers them, and provides details on its website (**http://www.douane.gouv.fr**). French legal texts are published online at **http://legifrance.gouv.fr**.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in France

	INSEE		World Bank		Source of data
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	$2,611 with average exch. rate: €=$1.2848	2012	$2,611	**http://www.worldbank.org/en/country**
Foreign Direct Investment	Bank of France		World Bank		Source of data
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	$76,445	2012	$82,596	**(BEA)** Bureau of Economic Analysis
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	$208,908	2012	$209,121	**(BEA)** Bureau of Economic Analysis
Total inbound stock of FDI as % of GDP	2012	24.7% of GDP	2012	24.7% of GDP	(*calculated)*

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data (2012)					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	1,029,813	100%	Total Outward	1,568,775	100%

Netherlands	170,197	17%	United States	241,510	15%
Luxembourg	135,968	13%	Belgium	223,182	14%
Belgium	128,576	12%	Netherlands	185,303	12%
United Kingdom	115,484	11%	United Kingdom	165,878	11%
United States	101,488	10%	Germany	87,302	6%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: **http://cdis.imf.org**

IMF data are not consistent with France's data in terms of amounts and rankings. According to the Bank of France total inward direct investment totaled $646,254 million, not $1,029, 813 million in 2012. Top five sources are Luxemburg and the Netherlands (tied), Belgium (3), the United States (4), Germany (5) and the United Kingdom (6). The new method used by the Bank of France results in a significant decrease in direct investment flows and stocks compared to previous estimates based on the IMF definition. FDI data published by the Bank of France have been revised in anticipation of a European norm to be implemented in 2014, according to which loans between companies of the same group are classified according to the residence of the group's headquarters. For example, a loan from a Dutch subsidiary of a French group to another subsidiary of the same group in France is no longer counted as a Dutch direct investment in France, but as a French disinvestment in the Netherlands.

TABLE 4: Sources of Portfolio Investment

Portfolio Investment Assets (2012)								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	2,570,100	100%	World	637,798	100%	World	1,932,302	100%
Netherlands	319,363	12%	Luxembourg	137,792	22%	Netherlands	285,095	15%
Italy	285,314	11%	Germany	85,103	13%	Italy	258,047	13%
Germany	255,107	10%	United States	58,313	9%	United Kingdom	175,562	9%
United Kingdom	230,967	9%	United Kingdom	55,404	9%	Germany	170,004	9%
Luxembourg	203,882	8%	Ireland	39,153	6%	Spain	164,553	9%

Source: **http://cdis.imf.org**

IMF data for total portfolio investment assets are consistent with France's data: the rankings are the same, and amounts in USD are only slightly different (exchange rate for the Euro is the average exchange rate in 2012 published by the ECB). However the breakdown by equity securities and total debt securities does not show the same results. A portion of portfolio investment may come from tax havens in 2012. France has a black list of tax havens, and removes countries when they agree to provide tax information.

19. Contact Points for Inquiries

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