FRANCE

INVESTMENT CLIMATE STATEMENT

2015

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Executive Summary

France welcomes foreign investment and has a reliable 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 an educated population, first-rate 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, and efficient intermodal connections. High speed (3G/4G) telephony is nearly ubiquitous and over 85% of French citizens have internet access.

The investment climate in France, though complex, is generally quite conducive to U.S. investment, as illustrated 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 are responsible for 450,000 jobs. In total, there are more than 20,000 foreign-owned companies doing business in France. It is home to more than 30 of the world's 500 largest companies. At number 23 in the World Economic Forum's ranking of global competitiveness, France is one of 13 European countries in the top 25.

The 2013 and 2014 AmCham-Bain Barometer studies on the outlook of U.S. companies in France have pointed to pessimism over lack of clarity in the government's agenda, red tape and burdensome regulations, unpredictability in legislation, and the 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. Research suffers from insufficient collaboration between the public and the private sectors. Factors that can impede inward foreign investment include France's weak economic growth (0.4% GDP growth in 2014), unemployment stubbornly above 10%, unpredictable economic and budget policies, the complexity of tax regimes, and the fact that France has been subject to strict European Union macroeconomic surveillance due to a prolonged period of budget deficits exceeding the EU limit of 3% of GDP.

Planned reforms to improve the legal and regulatory environment include an increase in Sunday business openings and the deregulation of some sectors. In 2014, the French government continued to introduce new measures to encourage growth and investment, launching a Responsibility and Solidarity Pact that should lower labor costs by EUR 30 billion by 2016, reduce corporate taxes and simplify administrative formalities. Along with the continued implementation of the CICE corporate tax credit program (Crédit d'Impôt Compétitivité Emploi), the government expects the Responsibility Pact to spur the creation of approximately 500,000 jobs over the coming years. The government maintains a generous research and development tax credit as well. It 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, EUR 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. Despite spending cuts in its 2015 budget, the government is

pursuing investment initiatives at the same pace as in 2014 to ensure growth, modernization and security. 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).

Key sectors of the French economy include aerospace, food products, pharmaceuticals, microelectronics, logistics, and healthcare equipment. Call centers, biotechnology, telecommunications, information and communication technology, and environment are other sectors with high potential. The government has announced partial privatization of state-owned firms and plans to use proceeds to reduce indebtedness and increase its investment in some sectors; it has not yet provided a detailed plan but may further reduce its stakes in electricity, gas, rail transport, and postal services.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

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 named “Business France” resulted from the 2015 merger of UbiFrance (the trade promotion agency) and Agence Francaise pour les Investissements Internationaux (French Agency for International Investment or AFII). AFII (the agency for promoting inward foreign investment) comprised the overseas offices of the Invest in France Agency (IFA) and the Invest in France Network (IFN) association. AFII and the French Intellectual Property Agency, INPI (Institut National de la Propriété Industrielle), have 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 pages http://www.sayouitofrance.com and http://sayouitofrance-innovation.com/?lang=en, which promise to help potential investors learn all they need to know before investing in France “in three clicks.”

No laws or practices discriminate against foreign investors by prohibiting, limiting or conditioning foreign investment except in a few strategic sectors (reference section entitled Limits on Foreign Control).

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 19 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 EUR 1,457 per month), rigid labor markets, and occasional strong negative reactions toward foreign investors planning to restructure, downsize or close. The 2014 AmCham-Bain Barometer (an annual study conducted by the American Chamber of Commerce in France and Bain & Company), released in October 2014, 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/assets/slideshows/289_barometre-amcham-bain-2014.pdf to download the 2014 AmCham-Bain Barometer study in French. (The 2013 Barometer is available in English: http://www.amchamfrance.org/en/position_paper/AmCham-Bain-Barometer-2013/8.)

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/special_business_reports/DOING-BUSINESS-IN-FRANCE/1, 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 Business France website (http://www.businessfrance.fr/home_en.html) and at the Paris Chamber of Commerce and Industries' website (http://www.inforeg.ccip.fr).

Other Investment Policy Reviews

Given the relative stability of the investment climate, France is not the subject of international organizations' investment policy reviews. For example, the Organization for Economic Cooperation and Development (OECD) has not conducted a review of the French investment climate since 1996. 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 (2013): 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/wir2014/wir14_fs_fr_en.pdf and a country profile at http://unctadstat.unctad.org/CountryProfile/251/en251GeneralProfile.html.

Laws/Regulations of Foreign Direct Investment

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). Foreign investment in France can take many forms: acquisition, merger, takeover, purchase of securities and other financial contracts, greenfield investments, etc.
The formal French investment regime is said to be among the least restrictive in the world. For a description of the French legal system applicable to foreign investment refer to http://sayouitofrance-innovation.com/wp-content/uploads/2014/10/Doing-Business_version-

FR_2014.pdf (French). For a brief introduction, see the video called "The A-Z of investing in France with the IFA." The French government has a website called "Guichet Entreprises" (Business Window) that aims to be a one-stop shop for creating a business: https://www.guichet-entreprises.fr/article/10-etapes-de-la-creation-dentreprise/ and a similar one, https://www.cfe.urssaf.fr, Centre de Formalités des Entreprises, for registering.

Questions about foreign investment operations that require notification to Banque de France (the French central bank) should be addressed to 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

Industrial Promotion

In September 2013, President Hollande unveiled a EUR 35 billion plan to finance an "Investments for the Future" program targeting 34 priority industrial sectors, such as 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. The Minister of Economy, Industry and Digital Affairs who was appointed in August 2014, Emmanuel Macron, plans to reduce the number to focus on "strategic priorities." Unlike past government-led industrial policies, these plans were developed by the private sector, with the government merely "leveraging 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.economie.gouv.fr/nouvelle-france-industrielle and http://www.gouvernement.fr/action/la-nouvelle-france-industrielle.

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 received an initial EUR 200,000 to get their ventures going. A new application process opened on October 2, 2014 and will run through March 2, 2015. The following year, seven projects will be selected for industrialization. The French government has earmarked EUR 300 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, personalized medicine, the silver economy (products and services for older people), and big data. Other details are available on the "Worldwide Innovation Challenge" website: http://www.entreprises.gouv.fr/innovation-2030/home-innovation-2030.

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 EUR 200 million to foster start-up ecosystems in and outside France and a EUR 15 million yearly budget to promote French innovation globally. The first two “French Tech” hubs will be in the United States, opening in San Francisco and Boston in 2014. A “French Tech” conference is also organized every June in New York City.

France continues to support innovation in small and medium enterprises (SMEs) via a EUR 400 million national seed fund (Fonds National d'Amorçage or FNA) managed by public financial institution Caisse des Dépots et Consignations (CDC). The FNA fund is part of the French government’s EUR 35 billion ten-year (2010-2020) Investments of the Future program (Investissements d’Avenir). More information is available at: http://www.caissedesdepots.fr/fonds-national-damorcage-400-meur.html.html.

France’s Public Investment Bank (Banque Publique d’Investissement – BPIFrance), set up in 2013, has been described by the French Government as its "offensive" industrial policy tool. In 2014, it disbursed EUR 14 billion in credit-free loans, reimbursable advances, guarantees and equity investment to small and medium-sized companies at every stage of their development. The Public Investment Bank includes a Strategic Investment Fund established in 2008, the OSEO fund for small business development set up in 2005, and the business lending arm of the government's financial institution CDC (Caisse des Dépôts et Consignations). The State determines its broad strategic objectives and offers each French region a partnership setting out its priorities through its 90 regional funds and 38 regional establishments. The bank's management actively searches for companies throughout France needing funding.

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 (a French nuclear/renwable energy company).

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 completely privatize any of the remaining state-owned enterprises (SOEs), but it has drawn down its shareholdings in several companies, and has announced plans to sell EUR 5 to EUR 10 billion of its stakes in regional airports and companies in which it holds double voting rights (e.g., electric utility EDF and national lottery company Françaises des Jeux). Foreign investors are allowed to participate in privatizations. 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 Business France (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 stipulates that acquisitions in sensitive sectors are subject to prior notification, screening, and approval by the Finance Minister. From 2005 to 2014, the eleven strategic sectors were gambling; private security services; research, development and production of certain pathogens or toxic substances; wiretapping and communications 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; and any business supplying the Defense Ministry with any of the above goods or services.

In May 2014, five new areas were added to the sensitive sectors list: energy infrastructure, transportation networks, public water supplies, electronic communication networks, public health, and installations/works vital to national security. (See http://www.tresor.economie.gouv.fr/4183_Textes-de-reference for the legal text.)

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 such a firm that has established headquarters in France. Some investments in sensitive sectors require the consent of several ministries. The foreign investor shall submit a formal application for prior authorization to the Minister of the Economy who will make a decision within two months of the date of receipt of a full and complete formal application for authorization. If the Minister of the Economy fails to make a decision, the authorization shall be deemed to have been granted. The formal review process and communications with the foreign investor are carried out by the departments of the Ministry of Economy in relation with other governmental agencies depending on the sensitive sector(s) involved.

As a condition of authorization, the French Minister of the Economy may impose certain conditions on the foreign investor to mitigate risks that the contemplated transaction could adversely affect public order, public safety or national security. Foreign investors may contest the conditions imposed for authorization, or the refusal to authorize, before the administrative law courts.

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 EUR 150 million; the pre-tax turnover in France is higher than EUR 50 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.

On July 31, 2014, The Competition Authority reaffirmed the principle that public export promotion bodies such as Ubifrance should adopt "measures in order to avoid the risk of distorting competition," following a referral from the Federation of Specialized Foreign Trade Operators, the OSCI (Opérateurs Spécialisés du Commerce International). More specifically, the Competition Authority stated that "subsidies granted to bodies such as Ubifrance should be allocated exclusively to the public service activities assumed by the organization." (Link to the Competition Authority decision in English: http://www.autoritedelaconcurrence.fr/user/standard.php?id_rub=592&id_article=2415)

On January 2015, Ubifrance, which promotes French exports, merged with the AFII (Agence française pour les investissements internationaux), which supports foreign investment in France, to form a new agency called Business France, with a staff of 1,500 in 70 countries.
In March 2014, a new consumer law, known as the Hamon Law, named after its originator, Benoit Hamon, State Secretary for Social Entrepreneurship and Consumer Affairs, introduced collective damages actions, including claims relating to competition law infringements. As a result, consumer associations are now entitled to introduce collective damages actions on behalf of consumers claiming a material damage due to the infringement of competition law.

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, exports and employment in many sectors. According to INSEE, the National Economic and Statistical Studies Agency, some 20,000 companies established in France receive foreign investment. These firms employ 12% of wage-earners, 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's annual report on FDI, France dropped out of the top 20 largest recipients of foreign direct investment inflows in 2013, when FDI inflows accounted for 0.6% of GDP. According to Business France, investment in France increased 8 percent in 2014 after three consecutive years of decline. The United States remains one of the largest sources of FDI flows into France, accounting for 18.1 percent in 2013, down from 26.8 percent the previous year. Based on recent estimates, U.S holdings of French securities in 2013 totaled USD 196 billion, down from the 2011 level of USD 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.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	26 of 175	**transparency.org/cpi2014/results**
World Bank's Doing Business Report "Ease of Doing Business"	2015	31 of 189	**doingbusiness.org/rankings**
Global Innovation Index	2014	22 of 143	**globalinnovationindex.org/content.aspx?page=data-analysis**
World Bank GNI per capita	2013	USD 43,460	**data.worldbank.org/indicator/NY.GNP.PCAP.CD**

Special Section on Monaco

The Principality of Monaco, the world's second smallest country by area, 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: The Principality of Monaco is not covered by the World Bank's, Doing Business Report, Transparency International's Country Corruption Report, or the Heritage Foundation's 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, and

• 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 economic activity, the Principality of Monaco offers tax exemptions to new companies developing a new activity. These new companies enjoy 100 percent exemption from corporate tax in the first two years, and then gradually assume normal tax obligations: third year (25 percent), fourth year (50 percent), and fifth year (75 percent). A research tax credit was additionally created in March 2009.

The Principality of Monaco has announced its intention to 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 EUR 4.94 billion in 2013. 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 35 banks, 3 finance corporations, 62 mutual investment funds, and 51 portfolio management companies' financial institutions operate in Monaco. Recent figures show that Monaco's outsized financial sector manages well over EUR 750 billion for a clientele that is 46% non-resident.

2. Conversion and Transfer Policies

Foreign Exchange

France is one of nineteen countries that use the euro currency. Exchange rate policy for the euro is handled by the European Central Bank in Frankfurt, Germany. After spending most of 2013 and the first half of 2014 in the range of USD 1.30 to USD 1.40, the euro began to fall against the dollar in mid-2014, reaching a low USD 1.05 in March 2015. In 2013-2014, several French officials had called for a lower euro, saying that the strength of the euro has harmed France's export competitiveness.

For more information on the exchange rate policies of the Eurozone, please see the U.S. Treasury's semiannual *Report to Congress on International Economic and Exchange Rate Policies* at: http://www.treasury.gov/resource-center/international/exchange-rate-policies/Pages/index.aspx

Remittance Policies

France's investment remittance policies are stable and transparent.

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 has introduced regulations tightening reporting on checks, their amounts, origins and destinations.

France is a founding member of the OECD-based Financial Action Task Force (FATF, a 34-nation intergovernmental body). 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 unit TracFin. TracFin also became more active within international organizations, and has signed new bilateral agreements with foreign countries. In April 2012, France's bank supervisor, the Prudential Control Authority (Autorité de contrôle prudentiel) updated its guidance on vigilance measures concerning fund transfers. In March 2014, ACPR published guidelines regarding anti-money laundering and terrorism financing in the field of wealth management in the banking and insurance sectors. These guidelines revised those adopted in 2010. In January 2014, ACPR stated that the exchange in France of bitcoins against a currency requires a license as payment services provider.

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

Whereas the United States uses a common law system, French law is codified (Napoleonic Code). 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).

France's Commercial Tribunal (Tribunal de Commerce or 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 on 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 extensive and 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 itself, 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 jumped up 20 slots from 42 to 22 (out of 189) for ease of resolving insolvency in the 2015 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 fracturing of rock for gas exploration and extraction ("fracking") in 2011 and denied the transfer of exploration licenses acquired 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 suspended the debate within the government on the pros and cons of fracking.

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 was one of the first countries to enact a modern arbitration law in 1980-1981. 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.

ICSID Convention and New York Convention

France is a member of both the International Centre for Settlement of Investment Disputes (ICSID) and a signatory to the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) which means local courts must enforce international arbitral awards.

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

WTO/TRIMS

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 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 businesses, 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.

The Responsibility and Solidarity Pact, adopted by the National Assembly in July 2014, will provide firms established in France cuts in payroll taxes totaling EUR 40 billion by 2017, including the elimination of payroll taxes on minimum wage earners, the phasing-out of the corporate social solidarity contribution (C3S) starting in 2015, the abolition of the exceptional corporate income tax payment for large corporations starting in 2016, and a gradual reduction in the rate of corporation tax as of 2017.

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 more information on investment incentives and overall French economic objectives, see: http://ec.europa.eu/europe2020/europe-2020-in-your-country/france/national-reform-programme/index_en.htm

A new simplification rule whereby a lack of response from the public authorities is tantamount to a tacit agreement, set out by law in 2013, came into force on 12 November 2014. This new principle replaces the silence implies rejection rule that had been in place for 150 years.

For movie makers, the French government has increased the maximum tax credit per foreign film from EUR 10 million to EUR 30 million in 2015. The rate of the international cinema and audiovisual tax credit has been raised from 20 to 30%. The aim of this is to relocate and attract to France those productions which, purely for tax reasons, would have been produced elsewhere.

On December 18, 2014, Parliament approved, via a 2014 Amending Finance Law, the government's 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 and http://www.bpifrance.fr/Investors-Center).

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://m.invest-in-france.org/media/France-welcomes-talent-and-investment-2014.pdf). There are three IFA offices in the United States: New York, San Francisco, and Chicago.

Research and Development

Incentivizing research and development (R&D) is a priority for the French government. The number of foreign investments in French R&D is increasing, with the French commercial agency Business France reporting a 7% growth in the number of new foreign-sponsored R&D projects in 2013. New innovation outlays from foreign firms created an estimated 1,310 R&D jobs in France in 2013.

The Research Tax Credit (Crédit Impôt Recherche - CIR) offsets R&D expenditures undertaken by both domestic and foreign firms operating in France. In 2013, the French government provided tax credits to support up to 30% of a firm's first EUR 100 million in R&D costs, and an additional 5% in credits above this threshold. In an effort to incentivize more innovation spending in small- and medium-sized enterprises, between 2012 and 2013 France increased its R&D tax credit for SMEs from EUR 110,000 to EUR 400,000. Additionally, firms that establish a public-private partnership with the French government can apply for research tax credits to cover up to 60% of their R&D expenditures (not to exceed EUR 12 million).

International businesses may also compete for French support of their R&D expenditures. The French National Research Agency (L'Agence Nationale de la Recherche) manages the "Investments for the Future" (Investissements d'Avenir) program that focuses on promoting research centers of excellence, advancing health and biotechnological developments, and stimulating technology transfer. Launched in 2013, the program's premier initiative, the 2030 Innovation Challenge, will direct over ten years a total of EUR 300 million to co-finance projects proposed by global entrepreneurs that the National Research Agency decides will bolster the French economy and positively impact at least one of the Agency's seven priority research subjects: energy storage, metal recycling, marine-resource development, plant chemistry, individualized medicine, geriatric medicine, and "big data." (http://www.entreprises.gouv.fr/innovation-2030/home-innovation-2030)

Based in Boston, the French Young Entrepreneurs Initiative (YEi) further encourages American startups to set up their businesses in France. Since 2005, the program has facilitated networking opportunities for leaders of 61 startups, linking American entrepreneurs with French incubators and research centers. After participating in the program, 13 American companies have launched their startups in France, and the YEi initiative expects even greater success in its 2014-2015 programs, because it will expand its French network to include more incubators and Business France, the French agency responsible for promoting foreign investment in France.

For OECD's review of France’s Innovation Policy, see http://www.oecd.org/publications/oecd-reviews-of-innovation-policy-france-2014-9789264214026-en.htm

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 pour l’Industrie et les Services) 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. For 2014-2020, PAT has been revised to benefit SMEs with the objective of promoting the development of businesses in priority regional zones. In 2015, this direct government subsidy amounts to EUR 30 million (http://www.cget.gouv.fr/actualites/prime-damenagement-du-territoire-pat-comment-ca-marche).

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).

Data Storage

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, the production of electricity, and professions of a scientific, literary, artistic and educational nature as well as certain regulated professions like doctors and lawyers);

• 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

The right to real property is regulated by the French civil code and is enforced. In the World Bank's Doing Business Report (DBR), France is ranked 126 of 189 for registering property (its worst ranking on the ten DBR metrics). The 2014 DBR noted that France had made transferring property easier by speeding up the registration of the deed of sale at the land registry. 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 2014 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.

One of HADOPI’s tasks is to ensure that the technical measures used to protect works do not prevent the right of individuals to make private copies on television programs for their private use. On September 11, 2014, HADOPI published a recommendation calling on Internet Service Providers (ISPs) and satellite operators to provide interoperability of their protection systems for private use. Recognizing that limitations on the copying of TV programs can be justified, in particular in order to "reduce the risk of counterfeiting on the Internet," the Authority nevertheless asked ADSL and satellite television operators to offer viewers, within a reasonable time frame, the possibility of making a private copy of television programs for durable storage and with sufficient interoperability for the private use. HADOPI further stressed that providing such a technical arrangement would not have to be free of charge if it required the use of additional means of copying (recorder or back-up copy). Nor would operators be expected to renew the pool of existing receivers. HADOPI also emphasized that precise information should be given to users regarding the possibility of making copies for private use. HADOPI issued its opinion following a referral by an ISP and a satellite operator. Hadopi's decision is available at: http://www.hadopi.fr/sites/default/files/20140911-Avisexception-copiepriveedesprogrammes.pdf

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

Resources for Rights Holders

Intellectual Property Rights Officer, Economic Affairs Section, U.S. Embassy Paris. Tel: +33-1-4312-2524.
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
Website for list of lawyers: http://photos.state.gov/libraries/france/45994/acs/usc_paris-attorneys.pdf

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.

In June 2014, the new Prime Minister, Manuel Valls, set up the position of State Secretary for State Reform and Simplification, headed by Thierry Mandon, whom he directly supervises, to make French regulations simpler. As part of his mission, Mandon is consulting with companies prior to the drafting of legislation that may affect them. He works in close cooperation with two other agencies under the Prime Minister: the Prime Minister's Secretariat General and the Secretariat General for European Affairs. (This policy is part of a wider effort by the European Union to reduce regulatory burdens under the European Commission's REFIT program.) Some 40 simplification measures have been adopted so far, including the so-called provision on "zero additional cost" for all new measures. This means that the impact on businesses of any change in regulations or legislation will be quantified by independent experts, or representatives of the business community and any new cost will be offset by a "reduction at least equivalent to it. For more on the new proposals, see: http://www.gouvernement.fr/simplifier-transformer

Foreign companies have expressed concern regarding France's standard-setting procedures. 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.

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.

Euronext Paris (also known as Paris Bourse), the primary French stock exchange, created Alternext in 2005 to offer small- and medium-sized 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 EUR 150 million and EUR 1 billion) and the C compartment (market capitalization of less than EUR 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 46.7 percent of the capital of large publicly traded French companies (CAC 40) as of December 2013. 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.

Money and Banking System, Hostile Takeovers

The Bank of France, France's central bank, is a member of the Euro system, the central banking system of the Eurozone.

France's banking system has recovered gradually from the 2008-2009 global financial crisis. French banks are now largely healthy. The assets of France's largest banks totaled EUR 5.8 trillion (then worth USD 7.8 trillion) at the end of 2013. Foreign investors have access to all classic financing instruments, including short, medium, and long-term loans, short-and medium-term credit facilities, and secured and non-secured overdrafts offered by commercial banks. 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.

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 Financial Markets Authority (Autorité des marchés financiers or 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, the 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. Measures to transpose the revised Transparency Directive are included in the law bringing a number of provisions into line with European Union economic and financial law (known as the "DDADUE" law) published on 31 December 2014. The DDADUE law authorizes the government to take by decree, by 30 December 2015, any other legislative measures necessary for the transposition of this directive. The associated system of sanctions, as well as possible amendments to the French regime for threshold-crossing declaration should be considered.

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 74 companies of which 13 are listed entities (see 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%), Airbus Group (EADS) (10.94%), Air France KLM (15.88%), Areva (holds 28.83%; controls 86.52%), CNP Assurances (holds 1.10%; controls 66%), Dexia (5.73%), EDF (84.49%), GDF-Suez (33.24%), Orange (a direct 13.45% stake and a 13.5% stake through BPI France), PSA (14.13%), Renault (15.01%, subject to a temporary increase to 19.74%), Safran (18.03%), and Thalès (holds 26.36%; controls 36.51% of voting rights), and in unlisted companies including SNCF (rail), RATP (public transport), CDC (Caisse des dépôts et consignations) and La Banque Postale (banks). The government also has majority and minority stakes in small firms in a variety of sectors.

OECD 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"). APE's 2013 annual report highlighted the government's 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. In 2014 and 2015, the government sold some of its holdings in Toulouse airport, GDF Suez, and jet engine firm Safran), with proceeds used to reduce public debt and 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 the 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. See http://www.bpifrance.fr/content/download/12844/178861/version/1/file/Bpifrance%20Financement%20-Investors%20Presentation%20March%202015.pdf for more information.

11. Corporate Social Responsibility

France has been a long-time advocate of corporate social responsibility (CSR) 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.

OECD Guidelines for Multinational Enterprises

All OECD members, including France, adhere to the OECD Guidelines for Multinational Enterprises (http://mneguidelines.oecd.org/ncps/france.htm).

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 in 2014 at a Goodyear plant in northern France. So-called boss-napping's 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 26th (of 175) 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. The U.S. embassy has received 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 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions 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 UK 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 :
Service Central de Prévention de la Corruption
13, Place Vendôme
75042 Paris Cedex 01
Email : scpc@justice.gouv.fr

Physical Address:
Service Central de Prévention de la Corruption
5, boulevard de la Madeleine
75001 Paris
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

The United States and France have enjoyed a Navigation and Commerce Treaty since 1822 which guarantees national treatment of U.S. citizens.

Investments in France by other EU member states are governed by the provisions of the Treaty of Rome and by European Union Law. France has signed Bilateral Investment Treaties (BITs) with the following 95 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, Djibouti, 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, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Namibia, 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, Zambia. (http://investmentpolicyhub.unctad.org/IIA/CountryBits/72#iiaInnerMenu)

Bilateral Investment Treaties signed with the following 9 countries have yet to be ratified: Belarus, Brazil, Chad, Colombia, Ghana, Iraq, Kenya, Syrian Arab Republic, 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.

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 must 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

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.

Current Labor Market: Unemployment has risen sharply since the 2008 economic crisis. The number of unemployed rose to an all-time high in 2014: 3.5 million unemployed, 43% out of work for more than a year. The rate of unemployment is also high, at 10% percent in mainland France and nearly 10.5 percent overall (including overseas territories) in late 2014. Regional disparities are significant, with unemployment rates ranging from 8.8 percent to 14 percent. The unemployment rate among those aged 20 to 24 has not dropped below 16 percent in nearly 30 years, and – despite government programs that subsidize 450,000 jobs – has been at or above 22 percent since 2009 (reaching 23.7% in 2014). Many in the 20 to 24 age bracket have been affected by the growing problem in low-growth European countries: the young, educated and unemployed do internships, short-term employment contracts, 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 nearly doubled since 2008. Underemployment (defined as part-time workers unable to find full-time positions) increased from 212,000 to 1.7 million between 2006 and 2014. More than two-thirds of the underemployed are women.

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 the rate in 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 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 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 March 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. It also provides greater government financial support for apprenticeship.

The 2015 Finance bill has earmarked an additional EUR 200 million to finance the hiring of apprentices under apprenticeship contracts, which are no longer limited in time but can be part of open-ended contracts for young people between 16 and 25 years of age. Apprenticeship contracts cost EUR 800 million a year, financed by private companies and regions, which receive subsidies from the central government. At the end of 2014, the French government eliminated the infamous 75-percent marginal income tax rate that employers had to pay on the portion of individual employees' salaries exceeding EUR 1 million per year.

The Growth and Activity Bill, also known as the Macron law after the Minister of the Economy, Industry and Digital Affairs Emmanuel Macron, unveiled in December 2014, proposes an acceleration of the proceedings before the Labor Court to prevent cases from dragging on for years. The bill also includes provisions on Sunday and evening work together with an increase in salary compensation.

In April 2015, the Labor Minister, Françios Rebsamen, was expected to present a bill streamlining the labor code and revising the format of structured labor negotiations referred to as the social dialogue between the social partners (business, labor, and the government).

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 Section 7 at: http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

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 Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	2,807,205	2013	2,806,428	www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2013	82,870	2013	77,964	http://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=10&isuri=1&202=1&203=30&204=10&205=1,2&207=43&208=2&209=1&200=1&201=1
Host country's FDI in the United States ($M USD, stock positions)	2013	196,293	2013	226,131	http://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=10&isuri=1&202=1&203=22&204=10&205=1,2&207=43&208=2&209=1&200=2&201=1
Total inbound stock of FDI as % host GDP	2013	25.2%	2013	27.9%	Numbers at left are Total inbound stock of FDI from all countries into France ÷ French GDP from Banque of France: ($706.3 ÷ $2,807,205 = 25.2%) //and// Total inbound stock of FDI based on IMF data ÷ French GDP from WB: (783,712÷2,806,428 = 27.9%)

*First column GDP data from INSEE, the National Institute for Statistics and Economic Studies; First column FDI data from Banque de France (central bank).

Table 3: Sources and Destination of FDI

IMF data below are not consistent with France's data in terms of amounts and rankings. According to the Bank of France total inward direct investment totaled USD 706.3 billion, not USD 783.7 billion in 2013. The new method used by the Bank of France -- the OECD revised Benchmark Definition for FDI -- 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 as part of an EU-wide adoption of this new definition, according to which loans between companies of the same group are classified according to the residence of the group's headquarters. This is intended to filter out transactions between shell companies, or special-purpose entities, and intra-company transfers; 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.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	783,712	100%	Total Outward	1,350,083	100%
Luxembourg	133,495	17%	Belgium	209,401	16%
Netherlands	123,090	16%	United States	207,673	15%
United States	86,260	11%	Netherlands	132,326	10%
Germany	85,446	11%	United Kingdom	121,411	9%
Switzerland	81,829	10%	Germany	75,599	6%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

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 2013 published by the ECB). However the breakdown by equity securities and total debt securities does not show the same results. A portfolio of portfolio investment may come from tax havens in 2013. France has a black list of tax havens, and removes countries when they agree to provide tax information.

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	3,052,170	100%	All Countries	850,498	100%	All Countries	2,201,672	100%
Italy	373,790	12%	Luxembourg	205,269	24%	Italy	333,642	15%
Netherlands	356,394	12%	United States	103,761	12%	Netherlands	304,262	14%
Luxembourg	320,233	10%	Germany	102,535	12%	UK	207,647	9%
UK	277,315	9%	UK	69,668	8%	Spain	205,758	9%
Germany	273,963	9%	Netherlands	52,132	6%	Germany	171,428	8%

Source: IMF Coordinated Portfolio Investment Survey. Data are from June 2014.

19. Contact for More Information

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From within France or by international courier, mail may be sent to:
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