10 reasons to invest in France

August 2011

© IFA

investinfrance.org

Invest in France Agency

1

A global economic power

France:

- The **2nd** largest economic power in the European Union. *Source: IMF, 2011*
- The world's **6th** largest exporter of goods and **4th** largest exporter of services. *Source: WTO, 2011*
- **35 French companies among the world's leading 500** (Germany: 34, United Kingdom: 30) *Source: Fortune Global 500, 2011*

- **A diversified, advanced industrial base:**

- Pharmaceutical industry: Largest in Europe and 3rd largest in the world
Source: LEEM (Association of French Pharmaceutical Companies), 2010

- Aerospace industry: Largest in Europe
Source: GIFAS (French Aerospace Association), 2010

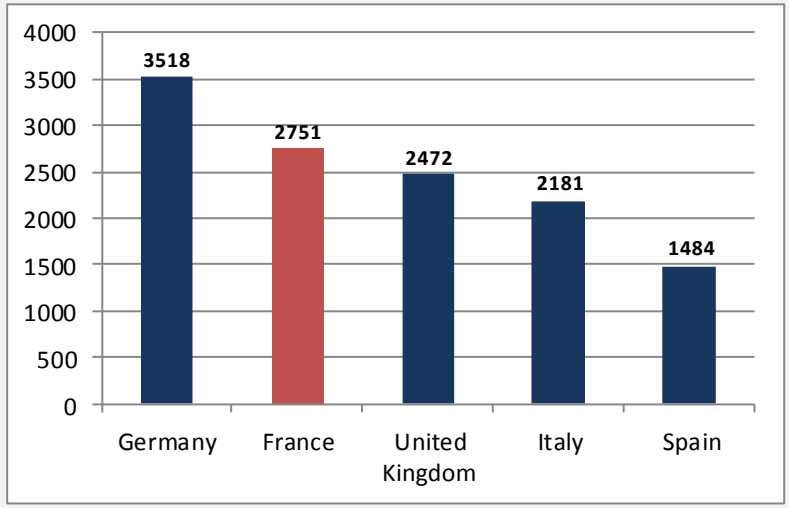
- Chemicals industry: 2nd largest in Europe
Source: INSEE (French National Institute for Statistics and Economic Studies), 2010

- Agri-food industry: 3rd largest in Europe and 4th largest in the world
Source: French Agriculture Ministry, 2010

- IT industry: 3rd largest in Europe
Source: EITO (European Information Technology Observatory), 2010

- Nuclear industry: Largest in Europe
Source: CEA (French Atomic and Alternative Energies Commission), 2009

Top 5 economic powers in the European Union
GDP 2011 (current prices, US$ billion)



Source: IMF, " World Economic Outlook" database estimates, April 2011

2

A country open to inward investment

- **The 4th leading recipient of FDI inflows in the EU: US$34 billion of inflows in 2010**

Source: UNCTAD, World Investment Report, 2011

- **The 2nd leading recipient in Europe** for the number of job-creating foreign investments and the **leading recipient** of projects in **industry and renewable energy**. *Source: Ernst & Young, 2011*

- **Over 20,000** foreign companies already profiting from doing business in France: they employ **over 2 million people** and account for **22% of all corporate R&D** in France, **one-third of all French exports** and **42.4% of holdings in the market capitalization of CAC 40 companies** (amounting to €404.5 billion).

Sources: ORBIS, 2010; IFA, France Attractiveness Scoreboard, 2010; Banque de France, 2010

Key figures:

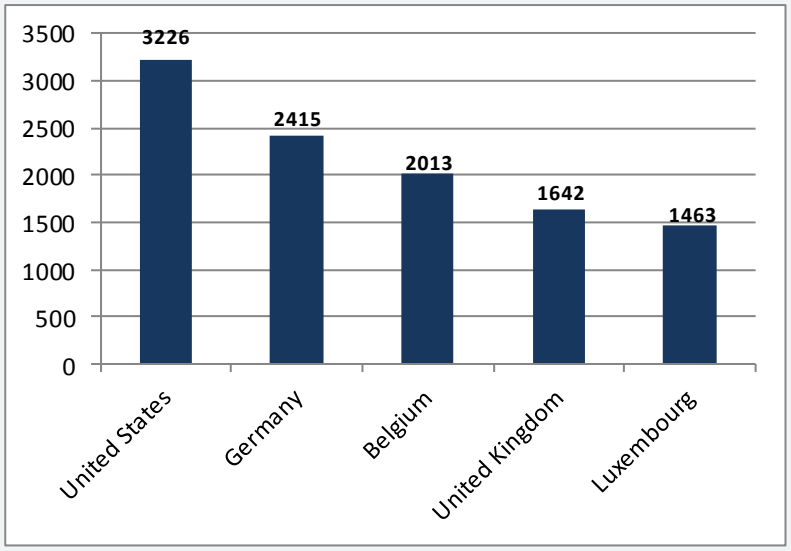
15: the number of foreign companies who decide to invest in France every week, on average.

74: the number of source countries of foreign companies doing business in France.

6,690: the number of job-creating foreign investments in France in the last 10 years.

Source: IFA 2010 Report

Top 5 source countries of foreign companies in France



Source: Orbis, 2011

3

A dynamic market, a gateway to Europe, the Middle East & Africa

- France is at the heart of the European Single Market of over **500 million consumers**.

Source: IMF - April 2010

- **2nd largest market in Europe:** 64.7 million inhabitants
- **The world's leading tourist destination:** 76.8 million foreign tourists
- **2nd highest birth rate in Europe,** after Ireland. In 2010, France accounted for 55.2% of the natural population increase in the EU.

Sources: INSEE, 2011; French Ministry for the Economy, Finance and Industry, July 2011; Eurostat, July 2011

- **A high household saving rate: 16% of gross disposable income compared with an EU-27 average of 13.2%.**

Source: Eurostat, 2011

- **Three French banks and two French insurance companies among the 10 largest in the world.**

Source: Paris Europlace, December 2010

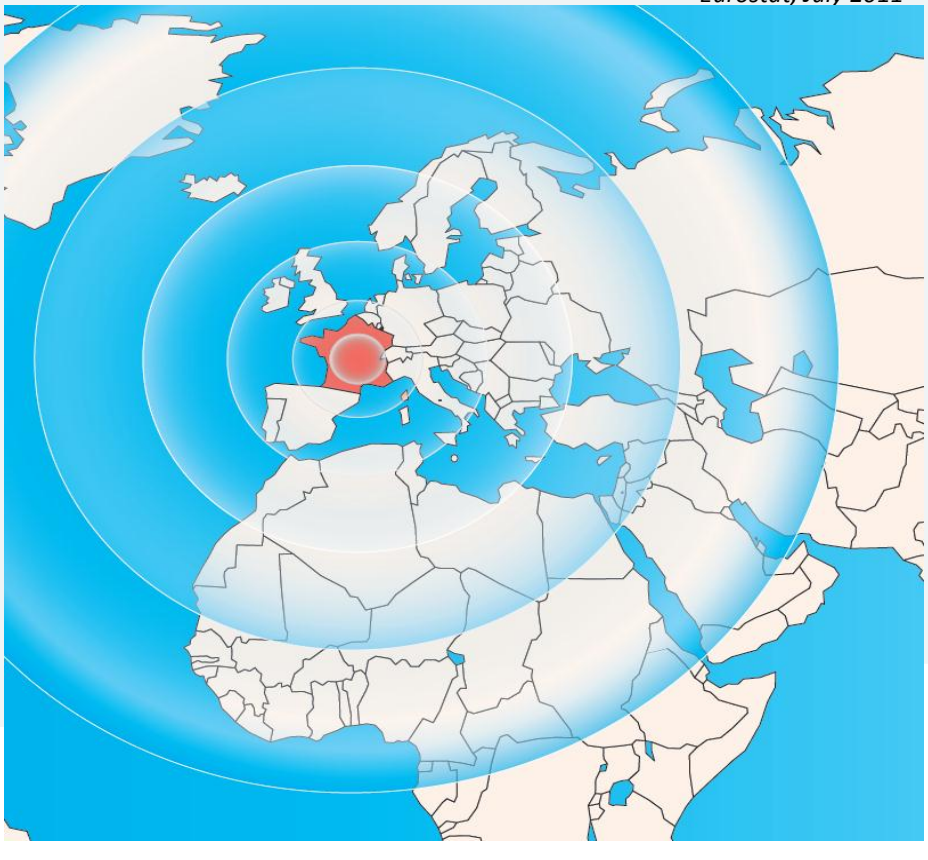
- **Paris is the 2nd most popular location in Europe for foreign financial firms** (500 banks and financial institutions).

Source: Paris Europlace, December 2010

- **Paris is the 3rd most popular location in the world for Fortune Global 500 company headquarters.**

Source: Fortune Global 500, 2011

- Tokyo: 47
- Beijing: 41
- Paris: 23
- London: 16
- Madrid: 5

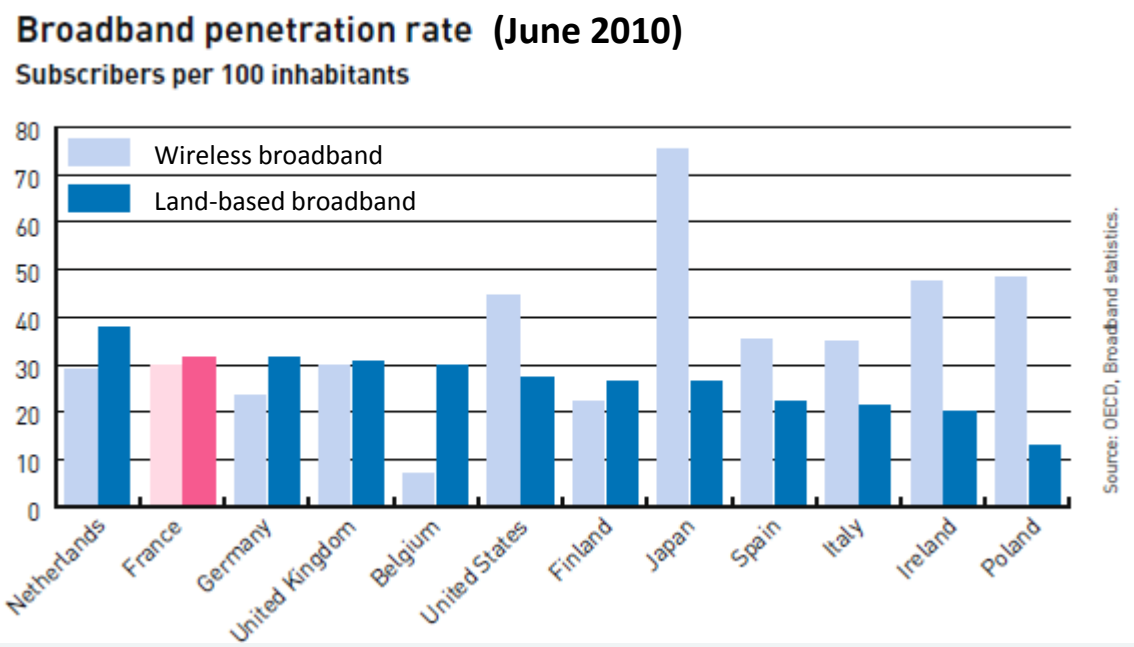


4

Excellent connections throughout Europe and worldwide

- Paris-Charles de Gaulle: ranked **2nd by passenger numbers and 1st for cargo in Europe**
  Source: Airports Council International, 2010

- Paris-Le Bourget: **the leading business airport in Europe** *Source: Aéroports de Paris, 2010*



Source: IFA, France Attractiveness Scoreboard, 2011

- **2 French ports in the European Top 10 by tonnage** in 2010**:** Marseille (6th) and Le Havre (9th).
  Source: Port of Rotterdam Authority, 2011

- **The 2nd largest high-speed rail network in Europe** (1,896 km/1,178 miles of dedicated high-speed lines).
  Source: International Union of Railways, 2011

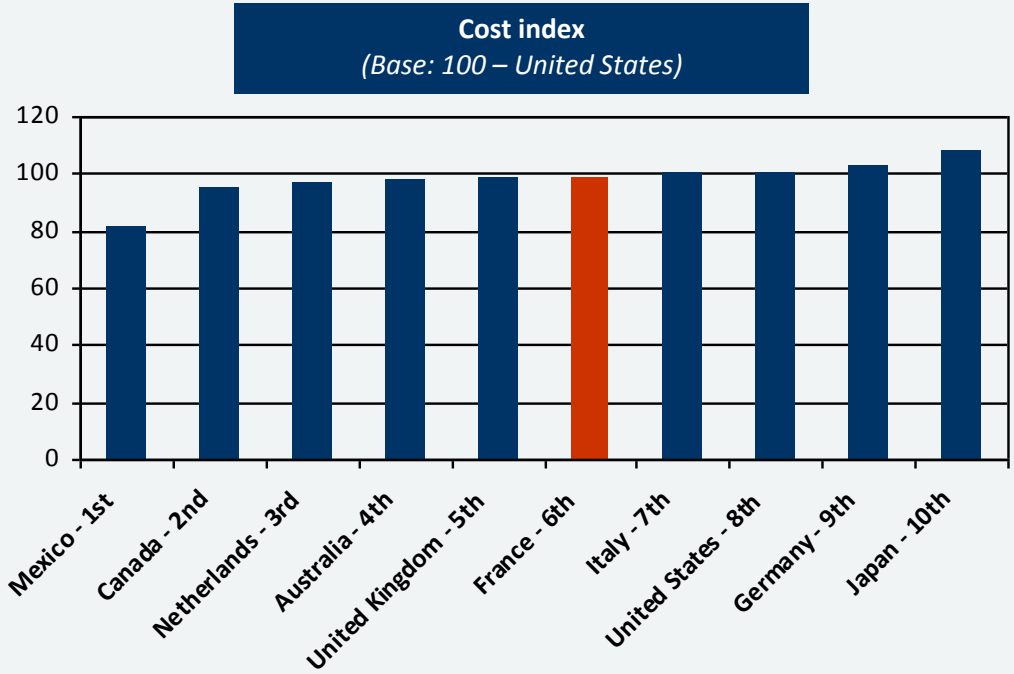
- **3rd largest motorway network in Europe** after Spain and Germany (over 11,000 km/6,835 miles).
  Source: European Union Road Federation (ERF), 2011

5

A very cost-effective location

Business setup and operating costs* are lower in France than in Germany, Italy, the United States and Japan. *Source: Competitive Alternatives, KPMG's Guide to International Business Location, 2010*

**** Cost components:***
Labor
Facility costs
Transport
Utility costs
(electricity, natural gas, telecommunications)
Corporate tax



- **The cheapest electricity in Europe**, after Estonia

Electricity rates for manufacturers
(Second semester, 2010)

UK: 0.095 (€/kWh exc. VAT)

Germany: 0.091 (€/kWh exc. VAT)

France: 0.062 (€/kWh exc. VAT)

Consumption between 500 and 2,000 MWh

Source: Eurostat, August 2011

- **Average labor costs per employee are lower in France than in Italy, the Netherlands, the United States, Germany and Japan.** *Source: KPMG, Competitive Alternatives, 2010*
- France is ranked **1st among G8 countries** for its **low carbon emissions** (tonnes of CO_2 emissions / GDP). *Source: IMD, World Competitiveness Yearbook 20101*
- **Water rates in France** (€3.09/m³) **are over 10% lower than the European average** (€3.44/m³) and are lower than in Germany (€5.29/m³) and the United Kingdom (€3.79/m³). *Source: NUS Consulting 2009*

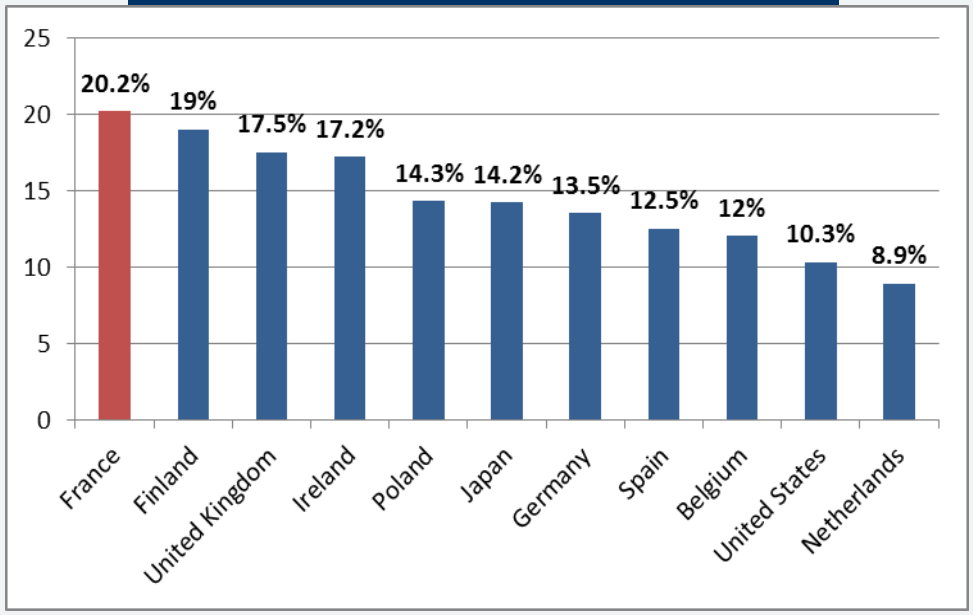
6

A highly qualified, highly productive workforce

- **France** is one of the countries in the world that **invests the most in its education system** (6% of GDP spent on education, higher than the OECD average of 5.7%).
Source: OECD, Education at a Glance, 2010

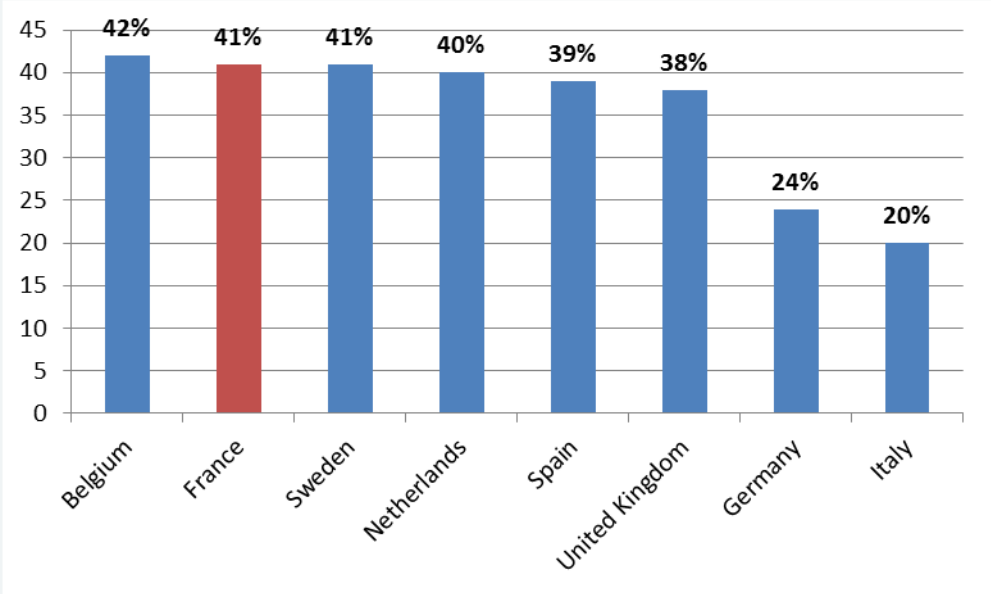
- **France** is ranked **3rd in the world for hourly labor productivity** after Norway and the United States. *Source: International Labour Organization, 2009*

Human resources in Science and Technology
Proportion of 20- to 29-year-old graduates (2009)



Source: Eurostat, 2011

Population with tertiary education
Proportion of 25-34 year olds (2008)



Source: OECD, Education at a Glance, 2010

7

Tax measures to foster competitiveness

Two major initiatives:

- **Abolition of the local business tax (*taxe professionnelle*) on productive investments** as of January 1, 2010: tax reduction for companies of €7.3 billion in 2010 and €5 billion a year as of 2011.

- **The renewal of France's research tax credit means that it remains the most attractive R&D tax incentive program in Europe:**
  - Tax breaks: 40% of all R&D costs in the 1st year, 35% in the 2nd year and 30% in subsequent years, up to €100 million, and 5% above this threshold.
  - Tax base: the tax credit is calculated on the annual volume of all eligible R&D expenditure (salaries, social security contributions, running costs, depreciation, patents, etc.).
  - Further incentives: **the research tax credit rate is doubled** for R&D carried out with public-sector bodies and is **quadrupled** for R&D undertaken by junior final-year doctoral and post-doctoral research personnel in their first two years of employment.

2,130 foreign companies among the **15,750 beneficiaries** of the research tax credit in 2009.

€4.7 billion: tax breaks received through the research tax credit by companies for R&D spending carried out in 2008.

Source: French Ministry for Higher Education and Research, 2011

Analysis by KPMG on effective* corporate tax rates ranks France:

- **in 2nd place for R&D operations,** ahead of the United Kingdom (4th) and Germany (8th);

- **in 5th place for manufacturing operations,** ahead of Germany (8th) and Italy (9th).

** rate which takes into account the tax bases in different countries*

Source: KPMG, Competitive Alternatives, 2010

A country prioritizing R&D and innovation

- **France is ranked 2nd in Europe and 6th in the world for the number of international patents filed.** *Source: WIPO, January 2011*

- **71** innovation clusters (6 of which are dedicated to green technology) **stimulating R&D through public-private partnerships. 536 foreign companies** have already joined an innovation cluster. *Source: French Ministry for the Economy, Finance and Industry, 2011*

- **France is the 2nd leading recipient in Europe of foreign R&D investment projects.** *Source: Ernst & Young, 2011*

- **21 research and higher education hubs (PRES)** enabling universities, *grandes écoles* and research bodies to share resources and launch joint initiatives.
Source: French Ministry for Higher Education and Research, 2011

- **11 Fields Medals** awarded to French mathematicians, out of a total of 52 since 1936.
Source: International Mathematical Union (IMU), 2011

- **8.4: the number of researchers in France per 1,000 employees**, ahead of Germany (7.2), the UK (5.6) and the Netherlands (5.1). *Source: OECD, Main Science and Technology Indicators, December 2010*

France is the 3rd leading host and source country of students studying abroad under the European Union "Erasmus" program.

In 2009-2010, over 270,000 foreign students were studying in French universities.

Source: Campus France, 2010

Trends in foreign R&D investment:

114: the number of job-creating foreign investments in R&D since 2008, **including 21 in 2008, 42 in 2009, and 51 in 2010.**

Source: IFA 2010 Report

Promoting sustainable growth and the knowledge economy

Three symbolic initiatives:

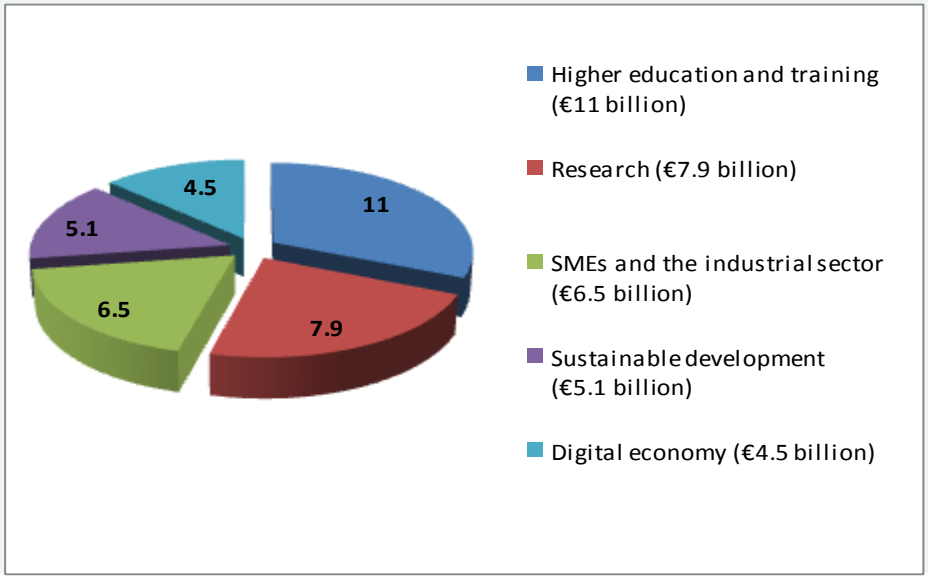
- **Green growth: France's "Green New Deal",** following the "Grenelle" environment round table talks in 2007, has set targets for developing green buildings, renewable energy, clean technology and sustainable transport. (95 % of the commitments made in 2008 have been completed or are underway.)

  Source: The "Grenelle 2" Act, French Ministry for Ecology, Sustainable Development, Transport and Housing, 2010 www.legrenelle-environnement.fr

- **The "Greater Paris" project** to turn Paris and the surrounding region (Ile-de-France) into a dynamic, attractive, high-flying "world city":
  - **€32 billion** to be invested in public transport.
  - **€2 billion** of investment for the Saclay plateau (to the south of Paris) to build the largest science and technology campus in Europe.

  Source: www.legrandparis.net

- **The "National Investment Program": €35 billion of funding** for 5 strategic areas:



€18 billion of these funds will have a direct impact on businesses:
creation of 'ecosystems' to promote innovation, support projects, technology platforms, etc.

Source: French government, 2010
http://investissement-avenir.gouvernement.fr/

23% of France's energy consumption will be met by renewable energy by 2020 (versus 10% in 2009)

Source: National Renewable Energy Action Plan – French Ministry for Ecology, Sustainable Development, Transport and Housing, 2010

Renowned quality of life

- **Joint 2nd in Europe for quality of life,** after Malta.
- **The leading tourist destination in the world** (ahead of the United States and Spain for visitor numbers) *Source: UNWTO, 2010*
- **The "French gastronomic meal"** was also added to **UNESCO's Intangible Cultural Heritage list** in November 2010. *Source: UNESCO, 2010*

Paris, the "city of lights" is also a "world city":

- At the heart of the leading regional economy in Europe, with a GDP of €553 billion
Source: Paris Region Economic Development Agency, 2010

- The 2nd most innovative and creative city in the world
Source: Innovation Cities TM Top 100 Index, 2thinknow, 2010

- The 2nd most attractive capital city in Europe for investors
Source: European Cities Monitor, Cushman & Wakefield 2010

- The 3rd most popular venue in the world for conferences (after Vienna and Barcelona)
Source: International Congress and Convention Association, 2011

9 criteria considered by International Living :

Cost of living (15%)
Culture & Leisure activities (10%)
Economy (15%)
Environment (10%)
Freedom (10%)
Health (10%)
Infrastructure (10%)
Security and Risks (10%)
Climate (10%)

Source: International Living, 2011

Top 5 European countries for quality of life

Country	Rank (Overall score)
Malta	1
France	=2
Belgium	=2
Germany	=3
Austria	=3