

# INVEST IN FRANCE



Le Pont de Millau

**The business landscape in France is changing. Reforms introduced by President Sarkozy aimed at making the country more business-friendly are taking hold. In this special report, we look at what is drawing companies from all over the world to invest in France. Prepare to have your preconceptions challenged!**

There are 22,000 foreign companies with a presence in France. Geographically, of course, it makes perfect sense. France is at the crossroads of Europe, at the heart of the EU single market.

But the economic rationale is even more compelling.

The labour force in France is one of the most highly skilled and productive in the world, the transport infrastructure is second to none, property and energy prices are low compared with Britain, for instance, and the presence of a clear industrial and technology strategy gives comfort to investors that they can enjoy long-term stability.

These benefits derive from a particularly French vision of its national interest. France takes enormous pride in its ability to create grand investments in the future that Britain would find impossible to contemplate. Le Pont de Millau, for example, is a classic example. A gorge in the Massif Centrale through which flows the River Tarn interrupted the free flow of traffic along the Autoroute N9 for years. The town of Millau became a traffic nightmare every summer. In Britain they would have built a bypass that offered some relief, but not much. France went way beyond that and built a bridge of such towering beauty and scale that it is a modern wonder of the world. Design credits go to a Briton, Norman Foster, but the technology that enabled his vision and built this superlative bridge, the tallest in the world, was all French.

In the next few pages we will be illustrating just a handful of examples of this vision. There is much more to tell, so please contact us using the details at the end of this feature and we will give you the full picture.

It's worth seeing!



## POLES APART

### R&D is at the heart of the French government's industrial policy

The French government is investing huge amounts of capital in driving the technologies and businesses of the future. At the core is a recognition that there are areas of the nation where there is a tradition of excellence in certain industries. Seventy-one individual 'clusters' (pôles de compétitivité) have therefore been established across the whole country, each specialising in a specific business sector – ranging from food processing to nanotechnology – bringing together businesses, universities and research bodies whose geographical proximity creates a hothouse of creativity and energy. It makes deciding where to invest easy for foreign companies and simultaneously provides a flying start for any new project they wish to develop.

The cluster concept is only four years old, but already they are generating impressive results. The Boston Consulting Group reports favourably on the progress being made by over 80% of the clusters. So far €2bn have been invested by the government to make the clusters attractive and more funding is already on the table in the form of astonishingly generous tax credits (see side panel).



### Credit where Credit is due

In 2008 the French government introduced further reforms into the already generous tax credit regime for R&D, explicitly making it more attractive to foreign investors. R&D is the magnet the French use to attract the brightest and best talent to their country.

The generous array of tax credits and allowances means that an investor's budget for research can go a lot further. The figures are 50% in the first year, 40% in the second and 30% in the third and subsequent years. However, depending on the expenditure mix (for example a company is allowed to double for tax calculations the amount it spends on doctorate-level researchers), this percentage can effectively rise to around 90% in a project's first year. In itself this is impressive, but there is an added, gilt-edged, extra. It takes just three months to get an answer from the Ministry of Research and once a positive response has been received it cannot be second-guessed by any other department, including the tax authorities.

It is by no means out of the question for a well-established UK company, large or small, simply to set up a research base in France for the duration of the project, in order to take advantage of this tax regime.

The thinking is, if business wins, France wins too.

## WORK MORE, EARN MORE... LIVE MORE, PLAY MORE...

### Employment Laws

The reforms pioneered by President Sarkozy have been aimed at ending the rigidity that has characterised French labour laws in the past in order to instil a more energised, entrepreneurial spirit into the workplace.

There are now incentives, in the form of tax and social security breaks, to encourage employees to work more overtime, together with a reduction in employers' contributions for overtime that encourages greater dynamism and effort all round.

Perhaps the biggest change is the introduction of the "objectif défini" contract of employment that among other things makes termination of an employee's contract much easier. Inspired by the UK's compromise agreement, it allows for both parties to end an employment contract on mutually agreed terms, another break with the more rigid past.

### The French workforce

One of the reasons France is at the forefront of so many technological advances is the quality of the workforce. The country is number one in Europe for producing science graduates and second only to Korea in the world. Nearly half of the FT's European Business Schools rankings are in France and of those, HEC Paris has ranked number one in Europe for two years in a row.

**Perhaps the most significant attribute of the French workforce is its astounding productivity. In terms of GDP per hour worked, France far outstrips other EU members and is 3rd in the world overall behind Norway and the USA (whose productivity is less than half a point ahead of France).**

The French work on average 41 hours a week and management 48 hours a week, well ahead of the European norm. When times are lean, as in a recession, companies and their workforce benefit from the "chômage technique" (literally, technical unemployment) system by which the government will pick up part of the workforce's salary in order to keep them in employment. This means the company retains an experienced and loyal workforce while also having the ability to keep overheads down.

### Company Law

The French government has identified entrepreneurship as a key driver in stimulating the national economy.

From the moment a company wishes to establish itself in France, the rules have become clearer, easier to navigate and in tax terms significantly less burdensome. Nowadays it takes on average just 7 days to set up a new business in France and there are just 15 steps to take, compared with 11 days and 18 steps in the UK. Worldwide, only the USA, Belgium and Denmark require less.

### Expatriates Living and Working in France

There is probably little to add to what is already known about living in France. *International Living* magazine ranked it number one in the world for quality of life and it is the 3rd leading destination in the world for foreign direct investment.

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Expatriates who move to France because their employer has set up operations there or who are looking to establish their own business enjoy generous benefits including tax exemptions on income earned outside France. The same exemption applies to wealth tax on assets or estates owned outside France. Expatriates are also exempt from paying some of the social taxes French citizens have to pay.

For non-EU citizens, residency permits are geared towards attracting the brightest and the best. Expatriates working for existing businesses or setting up on their own qualify for permits that also allow their family members to seek employment. Full residency permits, along similar lines to the US Green Card, and valid for 10 years are available for those who offer an "exceptional economic contribution to France".

## COMMUNICATIONS AND INFRASTRUCTURE

The autoroutes and high speed rail lines that form the backbone of France's infrastructure are justifiably regarded as a triumph for the country and its economy. The TGV trains that whistle passengers the length and breadth of the land at speeds of up to 280kmh (168mph) have been in service nearly 30 years, demonstrating the country's commitment to technology-driven projects that enhance the life and business of the nation. (It is no accident that while France enjoys some of the fastest roads and trains, the country's broadband connections are also among the fastest in the world at 45Mbps.)



In terms of freight, the French government has made it a priority to move traffic from road to rail, increasing the current 14% non-road freight to 25% by 2012, with a view to cutting CO2 emissions by 20% by 2020. A particularly interesting development is the adoption of the multimodal rail-road technology that Germany and Switzerland have pioneered, allowing trucks to drive onto rail cars, as they do via Eurotunnel. Mixed mode transport, particularly for unaccompanied containers and trailers, is also easing pressure on the road system. Last year a new long distance freight service from Spain to Luxembourg was introduced, while a planned Lyons – Turin rail tunnel will significantly ease congestion through the Alps and create new connections as far as Barcelona to the west and Hungary to the east.

Rail connections to ports are also being upgraded to create smooth high-speed links to the European rail freight network. For instance the line to Le Havre docks currently runs through Rouen and Paris on the slow and congested Seine corridor. The new line currently being built will bypass all that.

Perhaps one of the most imaginative projects being undertaken in France is to move freight traffic not just from road to rail but also from rail to water. The country has the longest network of canals in Europe but until recently it was underutilised, compared with other countries, because the canals were not adequately linked to major ports. A modernisation programme over the next two years will allow heavy freight to be transported by water between major ports and centres, resulting in lower costs and a much lower impact on the environment.



The canal network stretches from the English Channel to the Mediterranean, eastwards through to canals in other EU countries and from the Atlantic to the Med. It is a major resource that is expected to play its part in making France not only one of the easiest countries to navigate, whether by road, rail or canal, but also to enable the free flow of goods and people around the European Union, with France at its crossroads.

## ENERGY AND THE GREEN AGENDA

While many countries slowed down or ceased investment in nuclear power over the decades, France embraced the technology enthusiastically and has developed a secure national supply of affordable energy.

France is now embarked on ambitious '20-20-20' plan that, by 2020, expects to achieve a 20% reduction in greenhouse gas emissions, a 20% improvement in energy efficiency and a 20% share for renewable energy sources.

This calls for €460bn in new investment between now and 2020, creating 600,000 new jobs. The field is wide open to companies from other countries that have ideas they want to bring to the table. New opportunities are also opening up for companies who can assist in an ambitious building renovation programme designed to improve energy efficiency. Similar opportunities are opening up for companies who have something to offer in the waste management and the water/sanitation industries where similar government investment will propel the green agenda.



For a confidential and free-of-charge consultation with an English-speaking project manager about your company's opportunities for doing business in France, contact Monique Weber at Invest in France UK & Ireland.

020 7823 0903 [mweber@investinfrance.org](mailto:mweber@investinfrance.org)

The Invest in France Agency (IFA) provides assistance at every stage of the investment process. IFA works closely with 22 French regions to act as your main contact, providing legal and tax advice, help during the set up process and after-care service. The quality of service provided by IFA to new businesses is key to the success of foreign investment projects in France.

Invest in France Agency (IFA) has 154 staff members in France and around the world, all working towards the goal of making France Europe's leading destination for international investment.

[www.invest-in-france.org/uk/en](http://www.invest-in-france.org/uk/en)

INVEST IN FRANCE AGENCY UK AND IRELAND, SIXTH FLOOR,  
HAYMARKET HOUSE, 28-29 HAYMARKET, LONDON SW1Y 4RX



Batterie Megastore's new HQ in Caen



### How Investing In France Has Worked For Us

*Jackie O'Shea, Manager, Batterie Megastore*

#### Tell us about the company?

Batterie Megastore is an SME, based in Tewkesbury, Gloucester, with around 15 employees. We sell car, truck and marine batteries and accessory products, both online through our three websites and direct to trade customers and locally.

#### Why Invest in France?

We wanted to expand our business and chose France as the demographics were similar to the UK, plus e-commerce businesses are becoming more popular.

#### How has the business developed?

Since we opened our French operation near Caen in April, we have had fantastic feedback. We have had a lot of good reviews and some customers who said that they almost did not believe that such a service offered in France could be that good.

#### What are your plans for the near future?

We offer a next-day delivery service in the north of France, but considering the amount of interest we have had from the south, especially from boat owners, we are thinking of opening another branch to offer the same service to customers based in the south of France. Eventually we hope to open a couple more branches in France and to be able to use our depot in Caen as a hub for distribution to other countries in Europe.

#### How did Invest In France UK and Ireland assist you?

The service was just what we wanted. Invest in France saved us a heck of a lot of money and time in research in deciding exactly where we should look. They also provided us with an introduction to Normandie Développement – we would not have discovered them as early in the process without Invest in France's assistance. We worked out recently how little time we had to spend in setting up this successful venture. In all, from start to finish, it involved just 11 or 12 days in France. We were amazed it all went so smoothly.

[www.batterymegastore.co.uk](http://www.batterymegastore.co.uk)