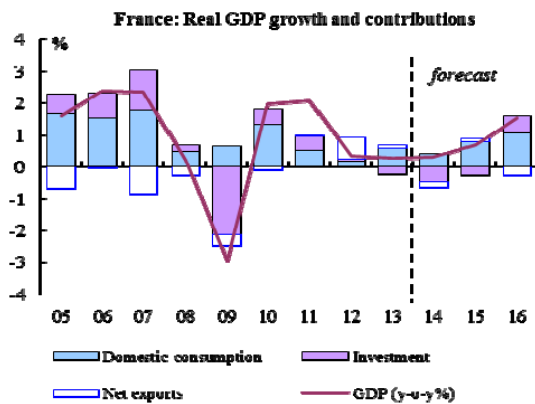


# INVESTMENT IN FRANCE

## What is the situation in France?

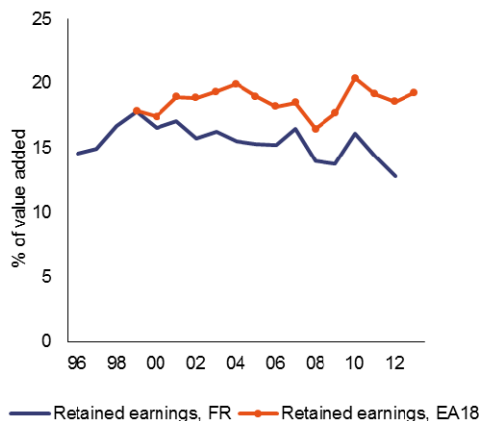


Source: European Commission 2014 Autumn Forecast

Investment fell in 2013 (-1.0%) and is forecast to remain low in 2014 (-2.1%) and 2015 (-1.2%). Since 2009, a slowdown in the construction sector has been weighing on investment in France (-1.7% in 2013, and expected to drop to -4.5% in 2014 and slightly rise again to -2.3% in 2015). At the same time, investment in equipment has been growing only slowly over the past two years. This is due to low expectations for the level of production. Having said that, in terms of foreign direct investment (FDI), France has the second largest stock of FDI in Europe after the UK, although the flow of FDI has been falling since 2007. In 2012, France ranked as the world's 10<sup>th</sup> largest direct investor in the rest of the world and the 15<sup>th</sup> largest receiver of FDI. This is compared to 2008, when it was the 7<sup>th</sup> largest recipient of FDI and the 4<sup>th</sup> largest investor.

## What is the main challenge?

Figure 2: Profit margins, non-financial corporations

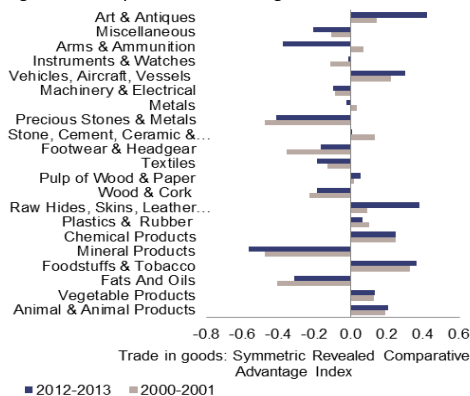


Source: Eurostat

In France, the growth of firms is still hampered by complex administrative procedures, high labour costs and taxation. The profitability of French firms is persistently low (see figure 2) and holds back investment in the private sector, in particular for innovation and the renewing of productive capacities. Public policies targeting firms, especially new and innovating firms, could concentrate more on those with the strongest growth potential. France needs a more efficient system of knowledge transfer from the public to the private sector. France is the EU country with the most generous system of direct and indirect public subsidies for R&D. Yet research financed by the public sector is still fragmented, not strongly linked to the innovation requirements of firms and does not adequately reflect changes in socio-economic needs.

## Opportunities for investment

Figure 3: Comparative Advantage



Source: Eurostat

There is a need for further investment in infrastructure in areas such as new energy, transport and construction. While inter-city transport is well-developed there are notable investment needs in intra-city networks. The country specific recommendations addressed by the EU Council of Ministers to France in July 2014 highlight the need to increase the interconnection capacity for gas and electricity between France and Spain. Additional private investment should focus on sectors where France has a comparative advantage over time, such as in the agro-food industry, luxury, tourism, and high added value services. These sectors are in a period of transformation, increasingly becoming global and knowledge-intensive. There is also a case to be made for more private investment in more traditional sectors such as industries producing machinery or vehicles, aircraft and vessels to improve non-cost competitiveness. France could achieve a strong international position in other sectors that have emerged over the past decade, notably healthcare, nanotechnology, biotechnology, ICT, digital, and environment-related technologies.

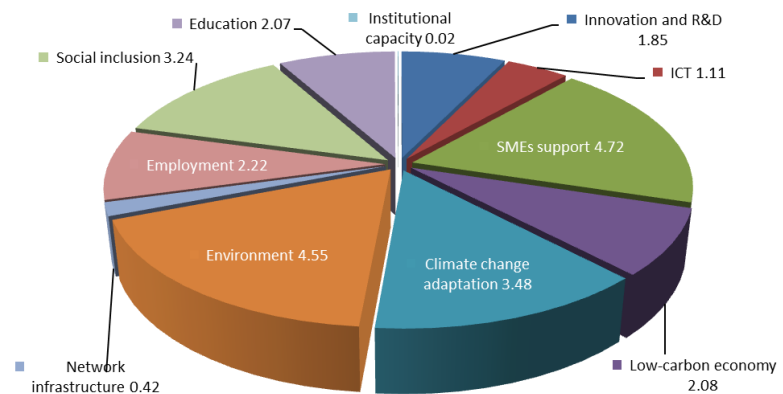
## Reforms for investment

### In the Country Specific Recommendations for France, the European Union recommended

<ul style="list-style-type: none"> <li>Reinforce the budgetary strategy to ensure the correction of the excessive deficit. After the correction of the excessive deficit, pursue a structural adjustment towards the MTO</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen electricity and gas interconnection capacity with Spain; in particular, increase the gas interconnections capacity to fully integrate the Iberian gas market with the European market</li> </ul>
<ul style="list-style-type: none"> <li>Redefine the scope of government action</li> </ul>	<ul style="list-style-type: none"> <li>Reduce entry costs and promote competition in services</li> </ul>
<ul style="list-style-type: none"> <li>Ensure that the labour cost reduction is sustained</li> </ul>	<ul style="list-style-type: none"> <li>Increase the labour-market relevance of education and training</li> </ul>
<ul style="list-style-type: none"> <li>Simplify companies' administrative, fiscal and accounting rules</li> </ul>	<ul style="list-style-type: none"> <li>Simplify and increase the efficiency of the tax system</li> </ul>
<ul style="list-style-type: none"> <li>Take steps to simplify and improve the efficiency of innovation policy</li> </ul>	<ul style="list-style-type: none"> <li>Take further action to combat labour-market rigidity</li> </ul>
<ul style="list-style-type: none"> <li>In the railway sector, ensure the independence of the new unified infrastructure manager and take steps to open domestic passenger transport to competition</li> </ul>	

## EU funding for investment

### 2014 - 2020 in billion EUR



Source: Partnership Agreement:

[http://ec.europa.eu/contracts\\_grants/agreements/index\\_fr.htm](http://ec.europa.eu/contracts_grants/agreements/index_fr.htm)

## Past or ongoing projects for investment

### Electricity interconnections

Interconnection currently known as the ElecLink project. Commissioning date: 2016 (France and UK)



### Gas interconnections

New interconnection. Commissioning date: December 2015 (France, Belgium)

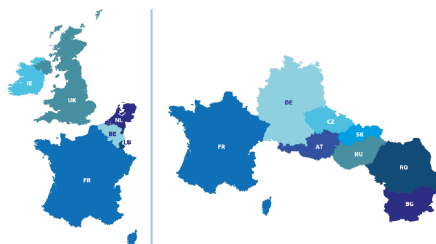
Interconnection between France and Luxembourg. Commissioning date: 2018



### Transport interconnections

Connecting Europe Facility: "North Sea - Mediterranean" core network corridor: Ireland, UK, The Netherlands, Belgium, Luxembourg, France

Connecting Europe Facility: "Rhine - Danube" core network corridor (France, Germany, Austria, Czech Republic, Slovakia, Hungary, Romania, Bulgaria)



### Technological interconnections

Targeting the set-up of new manufacturing capacities of electronic chips in Europe: under preparation for a submission to the Commission in 2015. (France, Germany, UK, The Netherlands, Belgium, Austria, Italy, Finland, Ireland)

