

# France

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RISK & COMPLIANCE REPORT

DATE: January 2017

## Executive Summary - France

<b>Sanctions:</b>	None
<b>FAFT list of AML Deficient Countries</b>	No
<b>Medium Risk Areas:</b>	US Dept of State Money Laundering Assessment

### Major Investment Areas:

#### Agriculture - products:

wheat, cereals, sugar beets, potatoes, wine grapes; beef, dairy products; fish

#### Industries:

machinery, chemicals, automobiles, metallurgy, aircraft, electronics; textiles, food processing; tourism

#### Exports - commodities:

machinery and transportation equipment, aircraft, plastics, chemicals, pharmaceutical products, iron and steel, beverages

#### Exports - partners:

Germany 16.7%, Belgium 7.5%, Italy 7.5%, Spain 6.9%, UK 6.9%, US 5.6%, Netherlands 4.3% (2012)

#### Imports - commodities:

machinery and equipment, vehicles, crude oil, aircraft, plastics, chemicals

#### Imports - partners:

Germany 19.5%, Belgium 11.3%, Italy 7.6%, Netherlands 7.4%, Spain 6.6%, UK 5.1%, China 4.9% (2012)

### Investment Restrictions:

The formal French investment regime is among the least restrictive in the world. While there is no generalized screening of foreign investment, French law (decree 2005-1739) stipulates that acquisitions in "sensitive" sectors are subject to prior notification, screening, and approval by the Finance Minister. The decree lists a total of eleven strategic sectors:

- gambling and casino activities
- private security services
- research, development and production of pathogens or toxic substances for unlawful or terrorist activities
- wire tapping and mail interception equipment
- testing and certification of security for IT products and systems
- goods and services related to the information security systems of companies managing critical infrastructure
- dual-use (civil and military) items and technologies
- encryption services
- the activities of firms entrusted with national defense secrets
- research, production or trade of weapons, ammunition, and explosive substances intended for military purposes
- any business supplying the Defense Ministry with any of the above goods or services

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## Section 1 - Background

France today is one of the most modern countries in the world and is a leader among European nations. It plays an influential global role as a permanent member of the United Nations Security Council, NATO, the G-8, the G-20, the EU and other multilateral organizations. France rejoined NATO's integrated military command structure in 2009, reversing de Gaulle's 1966 decision to take French forces out of NATO. Since 1958, it has constructed a hybrid presidential-parliamentary governing system resistant to the instabilities experienced in earlier, more purely parliamentary administrations. In recent decades, its reconciliation and cooperation with Germany have proved central to the economic integration of Europe, including the introduction of a common currency, the euro, in January 1999. In the early 21st century, five French overseas entities - French Guiana, Guadeloupe, Martinique, Mayotte, and Reunion - became French regions and were made part of France proper.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

France is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Compliance with FATF Recommendations

France has been removed from the regular follow-up process and agreed that it should now report on any further improvements to its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system on a biennial basis.

### US Department of State Money Laundering assessment (INCSR)

**No longer catergorised a Jurisdiction of Primary Concern however the 2017 Report has not yet been published and, therefore, below is the 2016 report.**

France was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

#### **Perceived Risks:**

Due to its sizeable economy, political stability, sophisticated financial system and commercial relations, especially with Francophone countries, France is a venue for money laundering. Public corruption, narcotics and human trafficking, smuggling, and other crimes associated with organized crime are sources of illicit proceeds.

France can designate portions of its customs territory as free trade zones and free warehouses in return for employment commitments. The French Customs Service administers these zones. France has an informal economic sector, and underground remittance and value transfer systems such as hawala are used by immigrant populations accustomed to such systems in their home countries. There is little information on the scale of such activity.

Casinos are regulated. The use of virtual money is growing in France through online gaming and social networks. Sport teams have become another significant source of money laundering.

**Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO**

**Criminalization of money laundering:**

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

**Know-your-customer (KYC) rules:**

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

**REPORTING REQUIREMENTS:**

Number of STRs received and time frame: 38,419 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

**money laundering criminal Prosecutions/convictions:**

Prosecutions: 464 in 2014

Convictions: 424 in 2013

**Records exchange mechanism:**

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

France is a member of the FATF.

## **Enforcement and implementation issues and comments:**

Two months after the January 2015 attacks in Paris against the Charlie Hebdo weekly newspaper and a kosher supermarket, the government announced a counter-terror plan that includes eight principal CFT measures divided into three pillars that promote additional AML/CFT countermeasures.

The first pillar focuses on "identification" and aims at reducing anonymity in the economy in order to facilitate the tracking of suspicious transactions. In a decree published in June 2015 (effective September 1, 2015), France lowered the limit on cash transactions to €1,000 (approximately \$1,100) from €3,000 (approximately \$3,300). For non-residents, the limit on cash payments will be lowered from €15,000 (approximately \$16,500) to €10,000 (approximately \$11,000). Acquiring, reloading, and using prepaid cards also will become subject to new reporting requirements. In the first quarter of 2016, an identity document (ID) will be required to buy, use, or reload a prepaid card when the transaction exceeds €250 (approximately \$275). In France, identity cards are not currently verified for non-rechargeable cards of less than €250 (approximately \$275) or for rechargeable cards of up to €2,500 (approximately \$2,750).

The "surveillance" pillar is designed to increase the exercise of due diligence by the financial community. As part of this pillar "Nickel" accounts, low-cost financial accounts that can be opened at tobacco shops, will have to be registered in the centralized national bank account register as of January 1, 2016. There are approximately 80,000 Nickel accounts in France. Additionally, currently it is possible to exchange up to €8,000 (approximately \$8,800) in currency anonymously, but as of January 1, 2016, ID will be required for foreign exchange transactions exceeding €1,000 (approximately \$1,100). Furthermore, financial institutions will have to increase vigilance over "transactions of unusually high sums" by checking the origin of the funds, the recipient's identity, and the grounds for the transaction. In November 2015, the French banking regulator, the Prudential Control Authority (ACPR) and TracFin, the French financial intelligence unit (FIU), issued new joint guidelines about vigilance and suspicious transaction reporting (STR) obligations. A decree will be enacted on January 1, 2016, requiring banks to automatically notify TracFin of deposits and/or withdrawals of more than €10,000 (approximately \$11,200) in a month. The current obligation to inform French Customs of the physical transfer of funds to and/or from another EU country by natural persons when the amount exceeds €10,000 (approximately \$11,200) will be extended to apply to freight and express freight in the first quarter of 2016. A pending bill on "Freedom of Creation and Cultural Heritage" would combat illegal trade in cultural products, like antiquities.

The "action" pillar reinforces capacities created to freeze terrorist assets. This pillar expands the government's ability to freeze the assets of entities or individuals deemed to be engaged in or planning terrorist acts. On November 23, 2015, the Finance Minister said TracFin would be authorized to track suspects' financial activity in real time. He confirmed that asset freezes will apply to movable and immovable assets, and to social/welfare benefits. The financial market authority will see expanded capacities to sanction inside trading.

COSI, the Systematic Communication of Funds Transfer Information, is a system created to improve financial information available to TracFin from designated professionals and institutions. Effective in January 2016, COSI reporting will apply to transfers of more than



€10,000 (approximately \$11,200) in a calendar month. The COSI is different from traditional suspicious transaction reports (STRs) as it cannot be used by TracFin to initiate investigations. It does not exempt institutions from their obligations to submit STRs.

In February 2015, the ACPR updated its guidelines specific to the insurance sector. TracFin continues to examine ways new anonymous electronic payment instruments, gold, and employee meal tickets (restaurant vouchers provided by employers) are used as alternatives to cash. TracFin also continues its focus on tax and social benefits fraud.

The Government of France applies the EU directive by which politically exposed persons (PEPs) from EU states may benefit from simplified vigilance procedures, but only in a limited number of cases. France should review its procedures to ensure all PEPs undergo enhanced due diligence. France should examine AML reporting requirements of company registration agents, real estate agents, jewelers, casinos, and lawyers to ensure they are complying with their obligations under the law.

### **Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):**

According to the US State Department, France does not conform with regard to the following government legislation: -

**Arrangements for Asset Sharing** - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

### **EU White list of Equivalent Jurisdictions**

France is on the EU White list of Equivalent Jurisdictions

### **Offshore Jurisdiction Blacklists**

In February 2010, France adopted its own "black list" of countries deemed "uncooperative" in tax matters, and aims to tax at 50% dividends, interest and royalties paid to entities based in these jurisdictions.

### **World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

## Offshore Financial Centre

France is not considered to be an Offshore Financial Centre

### US State Dept Narcotics Report 2014

France continues to be a major transshipment point for drugs moving through Europe. Given France's shared borders with trafficking conduits such as Spain, Italy, and Belgium, France is a natural distribution point for drugs moving toward North America from Europe and the Middle East. France's overseas territories' presence in the Caribbean, its proximity to North Africa, and its participation in the Schengen open border system, contribute to its desirability as a transit point for drugs, including drugs originating in South America. France's own large domestic market of cannabis users is attractive to traffickers as well. Specifically, in descending order, cannabis/hashish originating in Morocco, cocaine from South America, heroin originating in Afghanistan and transiting through Turkey, Belgium, and the Netherlands, and ecstasy (MDMA) originating in the Netherlands and Germany, all find their way to France.

Most of the illicit drugs in France are produced in other areas of the world. The vast majority of cannabis products in France originates in Morocco, and cocaine available in France is produced in, and trafficked to France from South American countries. The majority of the heroin entering France is produced in Afghanistan and Pakistan.

Almost all illicit drugs abused in the United States are also abused in France, with the exception of methamphetamine, which is almost completely nonexistent in France. Spain is believed to be the main entry point for cannabis and cocaine in Europe, although to a lesser extent the Netherlands is a point of entry for cocaine. French narcotics agencies are effective, technically capable and make heavy use of electronic surveillance capabilities. In France, the counterpart to the DEA is the Office Centrale pour la Repression du Traffic Illicite des Stupefiants (OCRTIS), also referred to as the Central Narcotics Office (CNO). Penalties for drug trafficking can include up to life imprisonment. France is a party to the 1988 UN Drug Convention.

The islands of the French Caribbean serve as transshipment points for drug trafficking by air and sea between South and Central America to Europe and, to a lesser extent, the United States. The broad expanse of the Caribbean Sea and the proximity to other nations with relatively lax law enforcement and endemic corruption facilitate drug trafficking in the area.

The French Central Office for Combating Drug Trafficking (OCRTIS) is concerned with drugs originating in the Dominican Republic that transit French territories or departments in the Caribbean. Martinique and Guadeloupe are significant transshipment points for drugs moving through the region, primarily cocaine, cannabis products, and ecstasy. Over 50 percent of all of France's cocaine seizures are made on or off the coast of these two islands. Official statistics for 2013 were unavailable at the time of this report's publication, but multiple seizures of more than 100 kilograms of cocaine were made, involving organizations comprised of individuals from several different French Caribbean countries attempting to smuggle drugs to France and other European countries.

The French Navy plays a significant role in supporting drug interdiction efforts in the region. Naval assets, including two frigates based in Martinique, allow France to provide resources

for the international drug enforcement community. A French Naval liaison officer is posted at the U.S. Joint Interagency Task Force South, and French law enforcement cooperate with the U.S. Drug Enforcement Administration and the British National Crime Agency on "Project Latitude," a joint maritime operation that identifies and tracks suspicious sailing vessels and yachts transiting through the Eastern Caribbean through multi-source intelligence.

French Guyana, the islands of Martinique, Guadeloupe, the French side of Saint Martin, and St. Barthélemy are all overseas departments of France and subject to French law. They all follow French policies and programs regarding drug addiction treatment and reduction in domestic demand. They are also subject to all international and bilateral conventions signed by France and participate in regional cooperation programs initiated and sponsored by the European Union. This includes being party to the Caribbean Regional Maritime Agreement signed by France in 2006. The departments' governments can request additional resources from the central government in their fight against illegal drug smuggling. The French Police, Gendarmerie, and Customs Service play major roles in narcotics law enforcement in France's overseas departments. The reinforcement of OCRTIS resources in the Caribbean continued in 2013 with the establishment in Fort-de-France, Martinique of an OCRTIS satellite office that focuses on financial assets of criminal networks involved in drug trafficking.

#### **US State Dept Trafficking in Persons Report 2014 (introduction):**

France is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

France is a destination, transit, and a limited source country for men, women, and children subjected to trafficking in persons, specifically forced labor and sex trafficking. Foreign victims from Eastern Europe, West Africa, and Asia, as well as North Africa and South America, are subjected to sex trafficking and forced labor. Sex trafficking networks controlled by Bulgarians, Nigerians, Romanians, Chinese, and French citizens force women into prostitution through debt bondage, physical force, and psychological coercion, including the invocation of voodoo. Students and isolated foreign minors are also increasingly exploited for sexual purposes. The Government of France estimates the majority of the 20,000 people in France's commercial sex trade, about 90 percent of whom are foreigners, are likely trafficking victims. Source countries include Romania, Nigeria, China, Brazil, and Bulgaria. There is a noticeable increase in online-advertised prostitution organized by Russians and Bulgarians and classified ads posted by organized networks, both involving trafficking victims, mainly controlled by Romanians, Bulgarians, Nigerians, and Brazilians. Reports indicate that significant number of children—one NGO estimates approximately 5,000—primarily from Romania, West Africa, and North Africa, are victims of forced prostitution in France. Women and children from Suriname are victims of sex trafficking in French Guyana. Roma and other unaccompanied minors in France continue to be vulnerable to forced begging and forced theft. Women and children continue to be subjected to domestic servitude mostly in cases where families exploit relatives brought from Africa to work in their households.

The Government of France fully complies with the minimum standards for the elimination of trafficking. The government revised its anti-trafficking law and continued to protect a large

number of victims; however, the government's efforts to combat labor trafficking were much weaker than those undertaken for sex trafficking. Robust cooperation with external law enforcement organizations continued as demonstrated by the breakup of numerous sex trafficking and forced begging networks. The government also increased cooperation with destination countries for child sex tourism by French nationals. Despite these efforts, the government continued to lack a national action plan and a national rapporteur position responsible for all trafficking-related statistics and in charge of evaluating data from other government agencies. The implementation of victim protection policies remained inconsistent between regions and municipalities and the fee victims must pay to receive temporary resident permits more than doubled in 2014. Law enforcement efforts under the anti-trafficking statute were extremely low compared with the number of victims identified.

### US State Dept Terrorism Report 2015

**Overview:** France confronted serious terrorism threats in 2015, including the mounting challenge of foreign terrorist fighters. France worked closely with the United States on counterterrorism efforts. French government agencies collaborated with their U.S. counterparts to exchange and evaluate terrorist-related information and strove to foster closer regional and international security cooperation. France's security apparatus and legislation provide broad authorities to security services to prevent terrorist attacks. France's military leads or participates in counterterrorism operations worldwide, such as Operation Barkhane (headquartered in Chad), with special emphasis on the Francophone countries in the Sahel and their neighbors, most notably Mali.

France experienced multiple attacks in 2015, the most serious being the coordinated November 13 attacks in and around Paris that killed 130 victims and injured 413, according to official accounts. Earlier in the year, the January 7 to 9 attacks on the *Charlie Hebdo* satirical magazine and the Hyper Cacher (Jewish kosher grocery), and related murder of a policewoman, killed 17 victims.

The Government of France remained on high alert during 2015 for attacks against its interests in France and worldwide, and has taken steps to counter the potential threat posed by its nationals traveling abroad to engage in terrorist activity. The return of French nationals who joined groups fighting in Syria and Iraq is a major and increasing threat. On December 15, Interior Minister Bernard Cazeneuve estimated that 1,800 French citizens or French residents were linked to fighting among violent extremist groups in Syria and Iraq. Of them, Cazeneuve estimated 600 were in Iraq and Syria, 144 had died, 250 returned to France, more than 500 were preparing to depart, and the remainder were in transit.

France is a leading member of the Global Coalition to Counter the Islamic State of Iraq and the Levant (ISIL); participates fully in multilateral counterterrorism fora; and has taken decisive domestic action to restrict terrorism financing and to limit the flow of foreign terrorist fighters. France has also conducted Counter ISIL air strikes in Iraq and in Syria, and has provided training and capacity-building assistance to security forces in Iraq. France deployed its lone aircraft carrier to the eastern Mediterranean and Persian Gulf to conduct Counter ISIL operations air strikes.

**2015 Terrorist Incidents:** France experienced multiple attacks in 2015:

- On January 7-9, three French attackers killed a total of 17 people in three attacks in and around Paris. On January 7, brothers Saïd and Cherif Kouachi killed 12 people at the offices of the Charlie Hebdo satirical newspaper. On January 8, Amedy Coulibaly killed a traffic policewoman in the Parisian suburb of Montrouge. On January 9, Coulibaly took hostages at Hyper Cacher, a kosher supermarket on the eastern edge of Paris, killing four before being killed by French police. After a nationwide manhunt, French police killed the Kouachi brothers in a standoff in a factory in Dammartin-en-Goële, north of Paris, on January 9.
- On April 19, Algerian student Sid Ahmed Glam, known to French security services for radical views, was plotting to attack a church in Villejuif, a Paris suburb. He shot and wounded himself before executing his plan. Glam is accused of having killed another person around this time.
- On June 26, Frenchman Yassin Salhi beheaded his supervisor in what French prosecutors said was an ISIL-inspired attack at an industrial site in Saint-Quentin-Fallavier, near Lyon. Salhi committed suicide in his prison cell December 22, according to a French deputy prosecutor.
- On August 21, heavily armed Moroccan national Ayoub el-Khazzani opened fire on the carriage of a Thalys train from Amsterdam to Paris. Passengers on board the train foiled his attack. Two American citizens (one a dual French-American citizen) were seriously injured during the incident.
- On November 13, French and Belgian nationals launched a series of attacks that killed 130 victims in and around Paris. Terrorists working in three coordinated teams attacked the Bataclan concert hall, the Stade de France, and restaurant terraces in four locations in the 10th and 11th arrondissements of Paris. Seven of the attackers died in clashes with police or by detonating suicide vests during the attacks. On November 18, police stormed a safe house in Saint-Denis, killing three, including the alleged attack planner Abdelhamid Abaaoud, a Belgian citizen. Salah Abdeslam, a French citizen and brother of November 13 suicide bomber Brahim Abdeslam, remained at large at the end of 2015; he was apprehended in March 2016.

**Legislation, Law Enforcement, and Border Security:** France has a system of non-jury courts for terrorism trials and a broad definition of what is considered a terrorist offense – the so-called “association of wrongdoers” offense – which allows it to cast a wide net and imprison a broad range of suspects. Under French law, foreigners can be deported if they are believed to pose a serious threat to public order. After the November 13 attacks, the French Parliament voted to extend a national state of emergency (including, among other measures, reducing judicial and procedural restraints on arrests and other police actions for counterterrorism purposes).

A law enacted on July 24, 2015, codified and expanded government surveillance measures aimed at terrorism and other criminal offenses. A 2014 law took steps to counter the threat of foreign terrorist fighters with three key objectives: to prevent people from leaving the territory when there are reasons to believe that they intend to engage in illicit terrorist activities abroad; to counter online propaganda by blocking websites advocating terrorism (the law calls that blocking be carried out under judicial supervision to avoid infringement on the freedom of speech); and to criminalize individual preparation of acts of terrorism.

France's main counterterrorism apparatus is its Direction Générale de la Sécurité Intérieure (DGSI) tasked with counter-espionage, counterterrorism, and the surveillance of potential threats on French territory, along with economic protection issues including organized crime and corporate espionage.

France has two national security forces: the General Directorate of National Police (DGPN) and the Directorate General of the National Gendarmerie (DGGN), both subordinate to the Ministry of the Interior. (The DGGN is part of the Defense Ministry but the Interior Ministry manages its policing functions.) The DGPN is responsible for civil law enforcement and criminal investigations in cities and large towns and is staffed with approximately 150,000 personnel. The DGSI combines law enforcement capabilities with domestic intelligence gathering.

In general, France has advanced law enforcement capacity to combat terrorism and sufficient information sharing at the domestic level. In the aftermath of the November 13 attacks, Interior Minister Cazeneuve renewed French commitments to push for establishment of French and European Passenger Name Record databases for travelers, to facilitate better EU-wide information sharing and Schengen-wide border security, and to combat arms trafficking in the Balkans.

On December 1, Prime Minister Manuel Valls said the government had foiled or disrupted "five or six" other terrorist attacks during the year: for example, in early June French police disrupted a four-person cell of French individuals with links to Syria plotting to attack military installations in southern France.

On December 15, Interior Minister Cazeneuve said police had carried out 2,700 counterterrorism raids across the country under emergency powers following the November 13 attacks. A total of 334 people were arrested, of whom 287 were placed in custody for questioning. The raids led to the seizure of 431 weapons, including 41 heavy weapons.

**Countering the Financing of Terrorism:** France is a member of the Financial Action Task Force (FATF). France also participates as a Cooperating and Supporting Nation (COSUN) to the Caribbean Financial Action Task Force, and an Observer to the Financial Action Task Force of Latin America, the Asia/Pacific Group on Money Laundering, the Eurasian Group on Combating Money Laundering and Financing of Terrorism, and the Middle East and North Africa Financial Task Force, all of which are FATF-style regional bodies. France's financial intelligence unit is a member of the Egmont Group and member of the Anti-Money Laundering Liaison Committee of the Franc Zone.

Following the January 2015 attacks in Paris, the French government announced eight new measures to combat terrorism financing, some of which have since been implemented (a limit on cash payments went into effect on September 1) and others go into effect in early 2016. Some of the measures transpose into French law the Fourth European Directive on Anti-Money Laundering (e.g., tighter regulations on prepaid cards). The objectives of the measures are to improve domestic information sharing, limit the size and availability of anonymous transactions, improve the tracking of suspicious transactions, enhance due diligence checks on certain transactions, and bolster the capacity to freeze assets (e.g., by extending covered assets to include vehicles).

**Countering Violent Extremism:** The French Council of Ministers promulgated a four-point plan to counter violent extremism and a national action plan on “de-radicalization” in 2014. A national-level appointed official, a prefect, is charged with managing national efforts to counter violent extremism. France considers its integration programs for all French citizens and residents a major tool in countering radicalization and violent extremism. Many of these programs target disenfranchised communities and new immigrants.

The Ministry of Education works to instill “universal values” in all French pupils, regardless of ethnic origin or country of birth. Ministry regulations mandate that all French public schools teach civic education, and that all students attend school until age 16. On January 22, the Education Ministry announced a new effort to improve civic education and integrative efforts in the wake of the January 7-9 terrorist attacks. The government also offers adult vocational training for older immigrants and minorities who have never attended French schools. The Interior Ministry plays a significant role in countering radicalization to violence by increased police presence in disenfranchised areas, neighborhoods, and regions with high criminality and juvenile delinquency rates. The Prime Minister’s office managed an anti-violent extremism counter-messaging campaign. In September, the French and Moroccan governments announced that as many as 50 French imams per year would study the “values of openness and tolerance” at the King Mohammed VI Institute in Rabat.

The Ministry of Justice implements rehabilitation and reintegration programs for former criminals. Prison radicalization was a major concern and subject of independent and state-sponsored research and reporting in 2015, with many calls to increase the number of Muslim chaplains employed by the French penitentiary system, currently around 195, according to civic leaders.

According to the Interior Ministry, a toll-free hotline implemented in 2014 for families of radicalized citizens has received more than 3,000 calls since its inception.

**International and Regional Cooperation:** France is a founding member of the Global Counterterrorism Forum, and a founding member of the International Institute for Justice and the Rule of Law, which is a GCTF-inspired institution devoted to rule of law-based training. Sworn in in 2013, France’s Jean Paul Laborde remained the Executive Director of the UN Counter-Terrorism Committee Executive Directorate. France played a strong role on the UN 1267/1989/2253 ISIL (Da’esh) and al-Qa’ida Sanctions Committee.

In an effort to increase its engagement on CVE issues, France provided funding to the Global Community Engagement and Resilience Fund, a public-private partnership to provide community-based organizations with grants to implement CVE projects at the local level. In regional organizations, France participated in the drafting of the European Council’s Counterterrorism Strategy action plan, and helped create and implement NATO’s new Strategic Concept and the Lisbon Summit Declaration, both of which include major counterterrorism measures for member states. Through the OSCE, France engaged in new measures to counter transnational threats, including terrorism. France participated in the G-7’s Roma-Lyon Group, and pursued practical projects in counterterrorism and other areas.

The Government of France undertook joint counterterrorism operations with countries including the Belgium, Germany, Italy, Spain, and the UK. France also played an active role



in both bilateral and EU efforts to support counterterrorism capacity building in other countries.

## International Sanctions

None applicable

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	69
World Governance Indicator – Control of Corruption	88

## Corruption and Government Transparency - Report by US State Department

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

### ***UN Anticorruption Convention, OECD Convention on Combatting Bribery***

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

## Section 3 - Economy

The French economy is diversified across all sectors. The government has partially or fully privatized many large companies, including Air France, France Telecom, Renault, and Thales. However, the government maintains a strong presence in some sectors, particularly power, public transport, and defense industries. With at least 82 million foreign tourists per year, France is the most visited country in the world and maintains the third largest income in the world from tourism. France's leaders remain committed to a capitalism in which they maintain social equity by means of laws, tax policies, and social spending that mitigate economic inequality. France's real GDP stagnated in 2012 and 2013. The unemployment rate (including overseas territories) increased from 7.8% in 2008 to 10.2% in 2013. Youth unemployment in metropolitan France decreased from a high of 25.4% in the fourth quarter of 2012 to 22.8% in the fourth quarter of 2013. Lower-than-expected growth and high spending have strained France's public finances. The budget deficit rose sharply from 3.3% of GDP in 2008 to 7.5% of GDP in 2009 before improving to 4.1% of GDP in 2013, while France's public debt rose from 68% of GDP to nearly 94% over the same period. In accordance with its EU obligations, France is targeting a deficit of 3.6% of GDP in 2014 and 2.8% in 2015. The administration of President Francois HOLLANDE has implemented greater state support for employment, the separation of banks' traditional deposit taking and lending activities from more speculative businesses, increasing the top corporate and personal tax rates, including a temporary 75% tax on wages over one million euros, and hiring an additional 60,000 teachers during his five-year term. In January 2014 HOLLANDE proposed a "Responsibility Pact" aimed primarily at lowering labor costs in return for businesses' commitment to create jobs. Despite stagnant growth and fiscal challenges, France's borrowing costs have declined in recent years because investors remain attracted to the liquidity of France's bonds.

### **Agriculture - products:**

wheat, cereals, sugar beets, potatoes, wine grapes; beef, dairy products; fish

### **Industries:**

machinery, chemicals, automobiles, metallurgy, aircraft, electronics; textiles, food processing; tourism

### **Exports - commodities:**

machinery and transportation equipment, aircraft, plastics, chemicals, pharmaceutical products, iron and steel, beverages

### **Exports - partners:**

Germany 16.7%, Belgium 7.5%, Italy 7.5%, Spain 6.9%, UK 6.9%, US 5.6%, Netherlands 4.3% (2012)

### **Imports - commodities:**

machinery and equipment, vehicles, crude oil, aircraft, plastics, chemicals

## Imports - partners:

Germany 19.5%, Belgium 11.3%, Italy 7.6%, Netherlands 7.4%, Spain 6.6%, UK 5.1%, China 4.9% (2012)

## Banking

The French banking system underwent a fundamental structural reform in 1984, which removed most of the distinction between commercial banks and merchant banks and grouped most financial institutions under a single supervisory system. The largest commercial banks, such as Crédit Agricole - LCL, BPCE (Banque Populaire Caisse d'Épargne), Société Générale, BNP Paribas, Natixis, Crédit Mutuel - CIC group, and HSBC France rank among the largest banks in the world. These commercial banks offer all classic financing instruments, including short, medium, and long-term loans, short-and medium-term credit facilities, and secured and non-secured overdrafts. Commercial banks also assist in public offerings of shares and corporate debt, as well as mergers, acquisitions and takeovers. Banks also offer hedging against interest rate and currency fluctuations. France also has 147 foreign banks; some have sizeable branch networks.

The Bank of France (Banque de France) is a member of the European Central Bank (ECB) system and the Banque de France's governor sits on the executive board of the European Central Bank. The Banque de France introduced Euro-denominated banknotes and coins in January 2002, completing the transition to the Euro, and eliminating the French franc.

The Banque de France participates in the regulation and supervision of the French banking and financial system. Its governor is the chair of the Committee on Credit Institutions, which grants or withdraws banking licenses. The governor is also president of the Prudential Control Authority, which ensures that banks adhere to banking regulations, and supervises insurance companies.

The French government has sold its majority equity stakes in major banks and insurance companies. However, it retains ownership of the Caisse des Dépôts et Consignations and minority stakes in several major financial institutions. The French postal service, La Poste, an independent public entity, holds 10 percent of the French financial services market. La Poste has created its own bank, La Banque Postale, which in 2006 acquired the status of a regular bank.

## Stock Exchange

The center of the French market is the Euronext stock exchange, formed on 22 September 2000 when the exchanges of Amsterdam, Brussels and Paris merged. The Euronext group expanded at the beginning of 2002 with the acquisition of LIFFE (London International Financial Futures and Options Exchange) and the merger with the Portuguese exchange BVLP (Bolsa de Valores de Lisboa e Porto). In February 2005, Euronext Paris merged the 3 separate markets of the Paris exchange, the cash market ("Marché au Comptant"), the

regulated market ("Second Marche") and the growth segment ("Nouveau Marche") with which new companies, especially smaller ones with an emphasis on growth and technology, can raise start-up capital. The new market list ("Eurolist") was split into 3 segments based on the capitalization of companies (150 million Euros, 150 million to 1 billion Euros, and more than 1 billion Euros).

In 2005, Euronext created a market, "Alternext," to offer companies a new unregulated market (based on the legal definition of the European investment services directive) with more consumer protection than the "Marche Libre" still used by some 335 small businesses for their first stock listing. Euronext also administers the financial futures market, commonly known as the MATIF ("Marché à Terme des Instruments Financiers"), for trading of standard contracts on interest rates, short- and long-term bonds, stock market indices, and commodities. It has established linkages with its German and Swiss counterparts as well as with the Chicago Mercantile Exchange. Options are traded on the "Marche des Options Négociables de Paris" (MONEP) exchange, operated by Euronext. Finally, though not nearly as developed as in the United States or the United Kingdom, venture capital has become an increasingly important way for start-up firms to raise capital. In March 2007, the NYSE merged with Euronext. NYSE Euronext's equities markets – the New York Stock Exchange, NYSE Euronext, NYSE Amex, NYSE Alternext and NYSE Arca represent 25 percent of the world's equities trading. The merger has increased international exposure to the European exchange and reduced trading fees, which should attract more investors.

Foreigners hold 42.3 percent of the capital of large publicly traded French companies (CAC 40) in December 2009. For a foreign company incorporated in an OECD country to be listed on the NYSE Euronext stock exchange, it must choose their point of entry (Belgium, France, Portugal or the Netherlands) and be supported by a financial intermediary, usually a bank. A company looking to be listed on Alternext must have a listing sponsor, whose status is granted by NYSE Euronext. It must also prepare a French language prospectus to get a permit from "Autorité des Marchés Financiers -AMF," the French equivalent of the SEC. Foreign companies are authorized to provide statements in English and a short summary in French. Since July 1, 2005, France has applied European regulation 809-2004 that details the content of prospectuses. An application to the AMF must include a summary in French or any other language commonly used in financial issues that describes "essential information related to the content and modalities of operations" as well as to the "organization, financial situation and development of the activity of the company".

### Executive Summary

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

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

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

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

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



government has selectively intervened in corporate mergers and acquisitions and it maintains a significant stake in a number of industries.

## 1. Openness To, and Restrictions Upon, Foreign Investment

### **Attitude Toward FDI**

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

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

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

English summaries of regulations including labor and tax regulations applicable to foreign companies in France are available at the AFII's website (<http://www.invest-in->

[france.org/Medias/Publications/862/doing-business-in-france-2013.pdf](http://france.org/Medias/Publications/862/doing-business-in-france-2013.pdf)) and at the Paris Chamber of Commerce and Industries' website (<http://www.inforeg.ccip.fr>).

### **Other Investment Policy Reviews**

The World Trade Organization (WTO) does not provide trade policy reviews for the individual member states of the European Union, but does provide one for the European Union as a whole: [http://www.wto.org/english/tratop\\_e/tpr\\_e/tp384\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tp384_e.htm). The United Nations Committee on Trade and Development (UNCTAD) does not have a public report on the investment climate in France, though UNCTAD provides a statistical fact sheet on French FDI (inward and outward) at [http://unctad.org/sections/dite\\_dir/docs/wir2013/wir13\\_fs\\_fr\\_en.pdf](http://unctad.org/sections/dite_dir/docs/wir2013/wir13_fs_fr_en.pdf) and an investment country profile at [http://unctad.org/en/PublicationsLibrary/webdiaeia2012d8\\_en.pdf](http://unctad.org/en/PublicationsLibrary/webdiaeia2012d8_en.pdf). The Organization for Economic Cooperation and Development (OECD) has not conducted a review of the French investment climate since 1996.

### **Laws/Regulations of FDI**

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

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

### **Industrial Strategy**

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

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

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

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

### ***Limits on Foreign Control***

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

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

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

### ***Privatization Program***

France (like many other European governments) undertook a major privatization program in the 1990s. Today, it owns a minority stake in several companies, listed in the section titled

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

### **Screening of FDI**

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

### **Competition Law**

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

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

## Investment Trends

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

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

Banque de France (<http://www.banque-france.fr>)

Service de la Balance des Paiements

31, rue Croix-des-Petits Champs

Tel: 01-4292-4292

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

American Chamber of Commerce in France (<http://www.amchamfrance.org>)

77, rue de Miromesnil

75008 Paris, France

Tel: 01-5643-4567; Fax: 01-5643-4560.

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

Measure	Year	Rank or Value	Website Address
Transparency International Corruption Perceptions index	2013	(22 of 177)	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>

Heritage Foundation's Economic Freedom index	2013	(70 of 178)	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	(38 of 189)	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2013	(20 of 142)	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita (USD)	2012	\$41,750	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## 2. Conversion and Transfer Policies

### *Foreign Exchange*

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

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

The euro area has a freely floating exchange rate. The euro has experienced large fluctuations since the financial crisis resulting from ebbs and flows in risk aversion associated with financial stresses in the euro area. In the second half of 2013, the euro appreciated by 5.3 percent against the dollar and has been relatively stable through the first three months of 2014. On a real effective basis, the euro depreciated by 0.7 percent in the second half of 2013.

The euro area's recovery has substantially lagged other developed countries, leaving economic activity at a low level. Euro area GDP is 2.7 percent below its peak in the first quarter of 2008. Private demand is more than five percent below pre-crisis levels, and unemployment is running at a near-record high of 12 percent. Following six consecutive quarters of contraction, the euro area economy returned to growth in the second quarter

of 2013, with GDP expanding by 1.0 percent, on a seasonally adjusted, annualized basis, over the last three quarters of 2013.

However, significant macroeconomic and financial headwinds persist. While the pace of fiscal consolidation has eased, the region's fiscal stance remains contractionary, and bank deleveraging, low real wage growth, and weak investment continue to weigh on economic activity. Moreover, growth was driven primarily by net exports in 2013. With inflation in the euro area dropping to new record lows in recent months and the risk of further financial volatility in emerging markets having an adverse impact on global demand, Europe faces the risk of a prolonged period of substantially below-target inflation or outright deflation. This would slow Europe's return to growth, further hinder the internal rebalancing that is still needed between the core and periphery, and increase the real burden of public and private debts. The European Commission forecasts that the euro area economy will grow by around 1.0 percent in 2014.

The euro-area's collective current account surplus expanded to 2.2 percent of GDP in 2013, as large current account deficits in peripheral countries continued to shrink, in some cases moving into surplus largely through demand compression, while surplus countries have not reduced their current account surpluses. Both in dollar terms and as a share of GDP the euro area's surplus now exceeds China's surplus. Previous current account deficits in Italy, Spain, and the smaller economies in the periphery have turned into small surpluses in recent quarters, primarily as a result of a collapse of domestic demand and falling wages. The Netherlands and Germany, meanwhile, have continued to run substantial current account surpluses since 2011, with Germany's surplus rising to 7.4 percent of GDP in 2013.

To ease the adjustment process within the euro area, countries with large and persistent surpluses need to take action to boost domestic demand growth and shrink their surpluses. For example, in Germany, domestic demand has grown faster than GDP only three times in the past ten years. German domestic demand picked up in the third quarter of 2013, but weakened in the fourth quarter, leaving domestic demand just 0.4 percent larger in the second half of 2013 than in the first half. One sign of the subdued pace of German demand growth is that German goods imports were 1.0 percent weaker for the year. Stronger domestic demand growth in all surplus European economies is needed to help facilitate a durable rebalancing of imbalances in the euro area.

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

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

All inward and outward payments must be made through approved banking intermediaries by bank transfers. There is no restriction on the repatriation of capital. Similarly, there are no

restrictions on transfers of profits, interest, royalties, or service fees. Foreign-controlled French businesses are required to have a resident French bank account and are subject to the same regulations as other French legal entities. The use of foreign bank accounts by residents is permitted.

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

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

### **Remittance Policies**

France's investment remittance policies are stable and transparent.

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

### **3. Expropriation and Compensation**

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

### **4. Dispute Settlement**

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

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



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

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

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

### **Bankruptcy**

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

### **Investment Disputes**

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

French regulations in reaction to various potential or proven risks to the environment or human health have made market access for some U.S. energy and biotech companies more difficult. France banned hydraulic fracking in 2011 and revoked exploration licenses held by U.S. firms, including Schuepbach Energy LLC and Hess Oil, in 2013. France’s constitutional court ruled that a July 13, 2011 law banning fracking was “pursuing a legitimate goal in the general interest of protecting the environment.” In April 2014, the government temporarily suspended the ongoing debate within the government on the pros and cons of fracking and it is not yet clear how this debate will evolve. U.S. biotech producers Monsanto, Pioneer/Hi-Bred (a DuPont company), and Dow Agro Sciences are present in France, but face on and off bans on genetically modified organisms (GMO) and

application of the “precautionary principle” (under which protections can be relaxed only if further scientific findings emerge that provide sound evidence that no harm will result).

### ***International Arbitration***

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

### ***Duration of Dispute Resolution***

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

## **5. Performance Requirements and Investment Incentives**

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

### ***Investment Incentives***

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

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

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

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

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

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

North and East:	West and South:	Midwest:
IFANA New York Philippe Parfait, Director 1700 Broadway, Suite 3000 New York, NY 10019	IFANA San Francisco Caroline Laporte, Director 88 Kearny Street, Suite 700 San Francisco, CA 94108	IFANA Chicago Michel Gilbert, Director 205 North Michigan Ave, Suite 3750 Chicago, IL 60611
Tel: (212) 757-9340 Fax: (212) 245-1568 <a href="mailto:usa@investfrance.org">usa@investfrance.org</a>	Tel: (415) 781 0986 Fax: (415) 781 0987 <a href="mailto:usa@investfrance.org">usa@investfrance.org</a>	Tel: (312) 628-1054 Fax: (312) 628-1033 <a href="mailto:usa@investfrance.org">usa@investfrance.org</a>

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

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

Besides DATAR/IFA at the national level, several French cities and regions have developed their own investment promotion agencies that advise potential investors, offer administrative

assistance, and oversee investment incentives. Regional councils are empowered to provide direct aid to companies. All incentives are subject to EU regulations.

### **Research and Development**

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

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

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

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

### **Performance Requirements**

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

The French government imposes the same conditions on domestic and foreign investors in cultural industries: all “purveyors” of movies and television programs (i.e., television broadcasters, telecoms operators, internet service providers and video **services**) must invest

a percentage of their revenues to finance French **film and television** productions. They must also abide by broadcasting content quotas (minimum 40% French, 20% EU).

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

## 6. Right to Private Ownership and Establishment

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

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

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

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

## 7. Protection of Property Rights

### *Real Property*

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

### *Intellectual Property Rights*

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

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

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

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

**Resources for Rights Holders:**

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

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

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

[http://www.amchamfrance.org/en/business\\_center/living\\_and\\_working\\_in\\_france/5](http://www.amchamfrance.org/en/business_center/living_and_working_in_france/5)

**8. Transparency of the Regulatory System**

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

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

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

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

## **9. Efficient Capital Markets and Portfolio Investment**

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

### ***Liquidity and Access to Capital Markets***

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

France's banking system has recovered gradually from the 2008-2009 global financial crisis. The assets of France's largest banks totaled €6.8 trillion (\$9 trillion) at the end of 2012. Commercial banks offer all classic financing instruments, including short, medium, and long-term loans, short-and medium-term credit facilities, and secured and non-secured overdrafts. They assist in public offerings of shares and corporate debt, as well as mergers, acquisitions and takeovers, and offer hedging services against interest rate and currency fluctuations.

Foreign companies have access to all banking services. Although subsidies are available for home mortgages and small business financing, most loans are provided at market rates.

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

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

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

### ***Mergers and Acquisitions***

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

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

In 2013, the French Minister of Industry expressed the desire of the French government to take new measures designed to protect French companies against hostile takeover bids. Measures focus on the fight against creeping takeovers, the development of long-term shareholder equity and the softening of the conditions governing the issuance of so-called "poison pills." The bill called "Proposal aimed at reconquering the real economy" ("*Loi visant à*



*reconquérir l'économie réelle*") was published in the French Register (*"Journal Officiel"*) on April 1, 2014.

## 10. Competition from State-Owned Enterprises

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

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

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

**Sovereign Wealth Funds** France has no sovereign wealth fund (SWF) per se, but does operate funds with similar intent. The Strategic Investment Funds (*"Fonds Stratégique d'Investissement - FSI"*) was created in 2008. It was owned by the government and the state-owned Caisse des Dépôts 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 Intermédiaire"*) and innovating businesses. The government strategy is defined at national level and aims to fit with local strategies. BPIexport was created in 2013 as part of an initiative to encourage SMEs to export. All investment made by BPIFrance is domestic. BPIFrance may hold direct stakes in companies, hold indirect stakes via generalist or sectorial funds, venture capital, development or transfer capital. It has taken minority stakes in firms and 250 investment funds, including 90 local investment funds that invest in businesses.

## 11. Corporate Social Responsibility

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

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

## 12. Political Violence

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

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

## 13. Corruption

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

### ***UN Anticorruption Convention, OECD Convention on Combatting Bribery***

France became party to the OECD Anti-Bribery convention in 2000 and to the UN Anticorruption Convention in 2003. The Phase 3 report on France by the OECD Working Group on Bribery in International Transactions published on October 2012 chastised France

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

### **Resources to Report Corruption**

The Central Office for the Prevention of Corruption (*"Service Central de Prévention de la Corruption"* or SCPC) is responsible for combating corruption. The SCPC is an inter-ministerial agency formally attached to the French Ministry of Justice. Established by Law 93-122 (January 29, 1993) on the prevention of corruption and the transparency of business and public procedures, its main role is to collect information regarding corruption-related offences and use it to prevent corruption. As part of that mandate, the SCPC publishes an annual report providing detailed statistics on corruption-related offenses and convictions. In its latest report, the agency called for the introduction of a legal requirement for large companies to implement an anti-corruption program similar to that imposed on businesses under the 2010 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.

## **14. Bilateral Investment Agreements**

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

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

([http://unctad.org/Sections/dite\\_pccb/docs/bits\\_france.pdf](http://unctad.org/Sections/dite_pccb/docs/bits_france.pdf))

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

French BITs generally cover the following:

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

#### ***U.S.-France Convention on Establishment***

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

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

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

#### ***Bilateral Taxation Treaties***

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

#### **15. OPIC and Other Investment Insurance Programs**

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

#### **16. Labor**

##### ***Current labor market***

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

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

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

### ***Labor rights***

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

For a review of French compliance with international labor standards, see: <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#section7>.

### ***Labor-Management Relations***

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

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

### ***New labor laws***

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

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

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

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

### **17. Foreign Trade Zones/Free Ports**

France is subject to all European Union free trade zone regulations. These allow member countries to designate portions of their customs territory as free trade zones and duty-free warehouses in return for commitments favoring employment. France has several, which benefit from exemptions on corporate taxes, payroll taxes, and real estate taxes. The French

Customs Service administers them, and provides details on its website (<http://www.douane.gouv.fr>). French legal texts are published online at <http://legifrance.gouv.fr>.

## 18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

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

**TABLE 3: Sources and Destination of FDI**

Direct Investment from/in Counterpart Economy Data (2012)	
From Top Five Sources/To Top Five Destinations ( <i>US Dollars, Millions</i> )	
Inward Direct Investment	Outward Direct Investment

Total Inward	1,029,813	100%	Total Outward	1,568,775	100%
Netherlands	170,197	17%	United States	241,510	15%
Luxembourg	135,968	13%	Belgium	223,182	14%
Belgium	128,576	12%	Netherlands	185,303	12%
United Kingdom	115,484	11%	United Kingdom	165,878	11%
United States	101,488	10%	Germany	87,302	6%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: <http://cds.imf.org>

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

**TABLE 4: Sources of Portfolio Investment**

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



Luxembourg	203,882	8%	Ireland	39,153	6%	Spain	164,553	9%
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Source: <http://cdis.imf.org>

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

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

civil law; review of administrative but not legislative acts

### International organization participation:

ADB (nonregional member), AfDB (nonregional member), Arctic Council (observer), Australia Group, BDEAC, BIS, BSEC (observer), CBSS (observer), CE, CERN, EAPC, EBRD, ECB, EIB, EITI (implementing country), EMU, ESA, EU, FAO, FATF, FZ, G-20, G-5, G-7, G-8, G-10, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFAD, IFC, IFRCs, IGAD (partners), IHO, ILO, IMF, IMO, IMSO, InOC, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MINURSO, MINUSTAH, MONUSCO, NATO, NEA, NSG, OAS (observer), OECD, OIF, OPCW, OSCE, Paris Club, PCA, PIF (partner), Schengen Convention, SELEC (observer), SPC, UN, UN Security Council, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, Union Latina, UNMIL, UNOCI, UNRWA, UNSC (permanent), UNTSO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC

## Section 6 - Tax

### Exchange control

In principle, inbound non-resident investments in France are free of prior review unless they are in a sensitive economic sector where prior authorisation must be obtained from the French Treasury.





























### Treaty and non-treaty withholding tax rates

France has signed **143 agreements (114 DTC and 29 TIEA agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Albania	DTC	24 Dec 2002	1 Oct 2005	Unreviewed	No	
Algeria	DTC	17 Oct 1999	20 Dec 2002	Unreviewed	No	
Andorra	TIEA	22 Sep 2009	22 Dec 2010	Yes	Yes	
Anguilla	TIEA	30 Dec 2010	15 Dec 2011	Yes	Yes	
Antigua and Barbuda	TIEA	26 Mar 2010	28 Dec 2010	Yes	Yes	
Argentina	DTC	4 Apr 1979	1 Mar 1981	Yes	No	
Armenia	DTC	9 Dec 1997	1 May 2001	Unreviewed	No	
Aruba	TIEA	14 Nov 2011	1 Apr 2013	Yes	Yes	
Australia	DTC	20 Jun 2006	1 Jun 2009	Yes	Yes	
Austria	DTC	26 Mar 1993	1 Sep 1994	Yes	Yes	
Azerbaijan	DTC	20 Dec 2001	1 Oct 2005	Unreviewed	No	
Bahamas, The	TIEA	7 Dec 2009	13 Sep 2010	Yes	Yes	
Bahrain	DTC	10 May 1993	10 Aug 1994	Yes	Yes	
Bangladesh	DTC	9 Mar 1987	1 Sep 1988	Unreviewed	No	
Belgium	DTC	10 Mar 1964	17 Jun 1965	Yes	Yes	
Belize	TIEA	22 Nov 2010	19 Dec 2011	Yes	Yes	
Benin	DTC	27 Mar 1975	8 Nov 1977	Unreviewed	No	
Bermuda	TIEA	8 Oct 2009	28 Oct 2010	Yes	Yes	
Bolivia	DTC	15 Dec 1994	1 Nov 1996	No	No	
Bosnia and Herzegovina	DTC	28 Mar 1974	1 Aug 1975	Unreviewed	No	
Botswana	DTC	15 Apr 1999	14 Jun 2003	No	No	
Brazil	DTC	10 Sep 1971	10 May 1972	Yes	No	
Brunei Darussalam	TIEA	30 Dec 2010	not yet in force	No	Yes	
Bulgaria	DTC	14 Mar 1987	1 May 1988	Unreviewed	No	
Burkina Faso	DTC	11 Aug 1965	15 Mar 1967	Unreviewed	No	
Cameroon	DTC	21 Oct 1976	19 Jul 1978	Unreviewed	No	
Canada	DTC	2 May 1975	29 Jul 1976	Yes	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Canada	DTC Protocol	2 Feb 2010	not yet in force	Yes	Yes	
Cayman Islands	TIEA	5 Oct 2009	13 Oct 2010	Yes	Yes	
Central African Republic	DTC	31 Dec 1969	1 Mar 1971	Unreviewed	No	
Chile	DTC	7 Jun 2004	10 Jul 2006	Yes	No	
China	DTC	30 May 1984	21 Feb 1985	Yes	No	
Congo, Republic of the	DTC	27 Nov 1987	1 Sep 1989	Unreviewed	No	
Cook Islands	TIEA	15 Sep 2010	16 Oct 2011	Yes	Yes	
Costa Rica	TIEA	16 Dec 2010	14 Dec 2011	Yes	Yes	
Croatia	DTC	19 Jun 2003	1 Sep 2005	Unreviewed	No	
Curaçao	TIEA	10 Sep 2010	1 Aug 2012	Yes	Yes	
Cyprus	DTC	18 Dec 1981	1 Apr 1983	Yes	No	
Czech Republic	DTC	28 Apr 2003	1 Jul 2005	Yes	No	
Côte d'Ivoire	DTC	6 Apr 1966	1 Jan 1967	Unreviewed	No	
Denmark	EEC directive	30 Mar 2011	1 Jan 1978	Yes	No	
Dominica	TIEA	24 Dec 2010	14 Dec 2011	No	Yes	
Ecuador	DTC	16 Mar 1989	25 Mar 1992	Unreviewed	No	
Egypt	DTC	1 May 1999	1 Jun 2004	Unreviewed	No	
Estonia	DTC	28 Oct 1997	1 May 2001	Yes	No	
Ethiopia	DTC	15 Jun 2006	17 Jul 2008	Unreviewed	No	
Finland	DTC	11 Sep 1970	1 Mar 1972	Yes	No	
Former Yugoslav Republic of Macedonia	DTC	10 Feb 1999	1 May 2004	Yes	No	
Gabon	DTC	20 Sep 1995	1 Mar 2008	Unreviewed	No	
Georgia	DTC	7 Mar 2007	1 Jun 2010	Unreviewed	No	
Germany	DTC	21 Jul 1959	4 Oct 1961	Yes	No	
Ghana	DTC	5 Apr 1993	1 Apr 1997	Yes	No	
Gibraltar	TIEA	22 Sep 2009	9 Dec 2010	Yes	Yes	
Greece	DTC	21 Aug 1963	31 Jan 1965	Yes	No	
Grenada	TIEA	31 Mar 2010	9 Jan 2012	Yes	Yes	
Guernsey	TIEA	24 Mar 2009	4 Oct 2010	Yes	Yes	
Guinea	DTC	15 Mar 1999	1 Oct 2004	Unreviewed	No	
Hong Kong, China	DTC	21 Oct 2010	1 Dec 2011	Yes	Yes	
Hungary	DTC	28 Apr 1980	1 Dec 1981	Yes	No	
Iceland	DTC	29 Aug 1990	1 Jun 1992	Yes	No	
India	DTC	29 Sep 1992	1 Aug 1994	Yes	No	
Indonesia	DTC	14 Sep 1979	13 Mar 1981	Yes	No	
Iran	DTC	7 Nov 1973	10 Apr 1975	Unreviewed	No	
Ireland	DTC	21 Mar 1968	15 Jun 1971	Yes	No	
Isle of Man	TIEA	26 Mar 2009	4 Oct 2010	Yes	Yes	
Israel	DTC	31 Jul 1995	18 Jul 1996	Yes	No	
Italy	DTC	5 Oct 1989	1 May 1992	Yes	No	
Jamaica	DTC	9 Aug 1995	21 May 1998	Yes	No	
Japan	DTC	11 Jan 2007	1 Dec 2007	Yes	Yes	
Jersey	TIEA	23 Mar 2009	11 Oct 2010	Yes	Yes	
Jordan	DTC	28 May 1984	1 Apr 1985	Unreviewed	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Kazakhstan	DTC	3 Mar 1998	1 Jul 2000	Unreviewed	No	
Kenya	DTC	4 Dec 2007	not yet in force	Yes	Yes	
Korea, Republic of	DTC	19 Jun 1979	1 Feb 1981	Yes	No	
Kosovo	DTC	28 Mar 1974	1 Aug 1975	Unreviewed	No	
Kuwait	DTC	27 Jan 1994	1 Mar 1995	Unreviewed	No	
Latvia	DTC	14 Apr 1997	1 May 2001	Unreviewed	No	
Lebanon	DTC	14 Jul 1962	2 Jan 1964	No	No	
Liberia	TIEA	6 Jan 2011	30 Dec 2011	Yes	Yes	
Libya	DTC	22 Dec 2005	1 Jul 2008	Unreviewed	No	
Liechtenstein	TIEA	22 Sep 2009	19 Aug 2010	Yes	Yes	
Lithuania	DTC	7 Jul 1997	1 May 2001	Yes	No	
Luxembourg	DTC	24 Nov 2006	27 Dec 2007	Yes	Yes	
Madagascar	DTC	22 Jul 1983	1 Oct 1984	Unreviewed	No	
Malawi	DTC	14 Dec 1950	31 Jul 1951	Unreviewed	No	
Malaysia	DTC	24 Apr 1975	23 Jun 1976	Yes	Yes	
Mali	DTC	22 Sep 1972	1 Jan 1975	Unreviewed	No	
Malta	DTC	25 Jul 1977	1 Oct 1979	Yes	Yes	
Mauritania	DTC	15 Nov 1967	1 Mar 1969	Unreviewed	No	
Mauritius	DTC	11 Dec 1980	17 Sep 1982	Yes	Yes	
Mexico	DTC	7 Nov 1991	31 Dec 1992	Yes	No	
Monaco	DTC	18 May 1963	1 Sep 1963	Yes	Yes	
Mongolia	DTC	18 Apr 1996	1 Dec 1998	Unreviewed	No	
Montenegro	DTC	28 Mar 1974	1 Aug 1975	Unreviewed	No	
Morocco	DTC	18 Aug 1989	1 Dec 1990	Unreviewed	No	
Namibia	DTC	29 May 1996	1 May 1999	Unreviewed	No	
Netherlands	DTC	16 Mar 1973	29 Mar 1974	Yes	No	
New Zealand	DTC	30 Nov 1979	19 Mar 1981	Yes	No	
Niger	DTC	1 Jun 1965	1 Jul 1966	Unreviewed	No	
Nigeria	DTC	27 Mar 1990	2 May 1991	Yes	No	
Norway	DTC	19 Dec 1980	10 Sep 1981	Yes	No	
Oman	DTC	1 Jun 1989	1 Aug 1990	Unreviewed	Yes	
Pakistan	DTC	15 Jun 1994	1 Sep 1996	Unreviewed	No	
Panama	DTC	30 Jun 2011	1 Feb 2012	Yes	Yes	
Philippines	DTC	9 Jan 1976	24 Aug 1978	Yes	Yes	
Poland	DTC	20 Jun 1975	12 Sep 1976	Yes	No	
Portugal	DTC	14 Jan 1971	18 Nov 1972	Yes	No	
Qatar	DTC	4 Dec 1990	1 Dec 1994	Yes	Yes	
Romania	DTC	27 Sep 1974	27 Sep 1975	Unreviewed	No	
Russian Federation	DTC	26 Nov 1996	9 Mar 1999	Yes	No	
Saint Kitts and Nevis	TIEA	1 Apr 2010	16 Dec 2010	Yes	Yes	
Saint Lucia	TIEA	1 Apr 2009	20 Jan 2011	Yes	Yes	
Saint Vincent and the Grenadines	TIEA	13 Apr 2010	21 Mar 2011	Yes	Yes	
San Marino	TIEA	22 Sep 2009	2 Sep 2010	Yes	Yes	
Saudi Arabia	DTC	18 Feb 1982	1 Mar 1983	Yes	Yes	
Senegal	DTC	29 Mar 1974	1 Jan 1975	Unreviewed	No	
Serbia	DTC	28 Mar 1974	1 Aug 1975	Unreviewed	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Singapore	DTC	9 Sep 1974	1 Aug 1975	Yes	Yes	
Sint Maarten	TIEA	10 Sep 2010	1 Aug 2012	Yes	Yes	
Slovakia	DTC	1 Jun 1973	25 Jan 1975	Yes	No	
Slovenia	DTC	7 Apr 2004	1 Mar 2007	Yes	No	
South Africa	DTC	8 Nov 1993	1 Nov 1995	Yes	No	
Spain	DTC	10 Oct 1995	1 Jul 1997	Yes	No	
Sri Lanka	DTC	17 Sep 1981	18 Nov 1982	Unreviewed	No	
Sweden	DTC	27 Nov 1990	1 Apr 1992	Yes	No	
Switzerland	DTC	9 Sep 1966	26 Jul 1967	No	Yes	
Syrian Arab Republic	DTC	17 Jul 1998	1 May 2009	Unreviewed	No	
Thailand	DTC	27 Dec 1974	29 Aug 1975	Unreviewed	No	
Togo	DTC	24 Nov 1971	1 Apr 1975	Unreviewed	No	
Trinidad and Tobago	DTC	5 Aug 1987	1 Apr 1989	No	No	
Tunisia	DTC	28 May 1973	1 Apr 1975	Unreviewed	No	
Turkey	DTC	18 Feb 1987	1 Jul 1989	Yes	No	
Turks and Caicos Islands	TIEA	24 Sep 2009	15 Jul 2011	Yes	Yes	
Ukraine	DTC	31 Jan 1997	1 Nov 1999	Unreviewed	No	
United Arab Emirates	DTC	19 Jul 1989	15 Nov 1989	Yes	No	
United Kingdom	DTC	19 Jun 2008	18 Dec 2009	Yes	Yes	
United States	DTC	31 Aug 1994	30 Dec 1995	Yes	Yes	
Uruguay	TIEA	28 Jan 2010	31 Dec 2010	Yes	Yes	
Uzbekistan	DTC	22 Apr 1996	1 Oct 2003	Unreviewed	No	
Vanuatu	TIEA	31 Dec 2009	7 Jan 2011	No	Yes	
Venezuela	DTC	7 May 1992	15 Oct 1993	Unreviewed	No	
Viet nam	DTC	10 Feb 1993	1 Jul 1994	Unreviewed	No	
Virgin Islands, British	TIEA	17 Jun 2009	18 Nov 2010	Yes	Yes	
Zambia	DTC	14 Dec 1950	31 Jul 1951	Unreviewed	No	
Zimbabwe	DTC	15 Dec 1993	5 Dec 1996	Unreviewed	No	

## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
<a href="#">International Sanctions UN Sanctions / US Sanctions / EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes

### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))



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