

2006 Report on Foreign Direct Investment in France

“Yet France is a country of contradictions. Its economy may be sluggish, but its workers are among the world’s most productive. Its people are famously leery of globalisation and economic liberalism, yet France boasts some of the world’s most successful multinational companies. Its public sector may be bloated and its tax burden excessive, yet the quality of its public officials is widely admired. Its mass-education universities come deservedly low in the world rankings, yet Paris’s famous grandes écoles are among the best in the world. In short, France is a place in which, for almost every weakness, it is possible to find a matching strength.”

2006 was marked by further increases in FDI flows, which reached 123 billion dollars, almost the equivalent of the record levels achieved in the year 2000. The decline of 2001-2002 is therefore behind us.

In spite of increasing competition from emerging and transitional countries, this increase has been largely beneficial to developed countries, and Western Europe in particular. This positive trend can be explained by a record number of international mergers and acquisitions, for the most part acquisitions of businesses located in industrialized regions, but also the vibrancy of investment projects leading to new jobs.

France has profited from these positive trends. The flow of inward FDI and the number of jobs directly resulting from foreign investment have reached new record levels. According to statistics produced by the Invest in France Agency, which are set out in the present report, 40,000 jobs were created in 2006 by foreign companies doing business in our country. France has proved once again that it is very open to international investment, and that it presents strong levels of attractiveness compared to its European neighbors – particularly in activities that involve innovation and in high added-value service sectors. Today, over 1.9 million people are employed by foreign businesses in France, which is almost 16% of the total number of employees in the market sector; and 47% of capital in the CAC 40 is owned by non-residents.

France's strengths are well known: a highly skilled and productive population, high-quality infrastructures at the heart of the biggest market in the world, an economy that is at the leading edge of innovation in key sectors such as aerospace, nanotechnology and healthcare. One demonstration of this is the investment project announced in 2006 by GSK near Valenciennes, in the north of France: a 500 million euro investment for the production of cancer vaccines, which will create 600 new jobs over three years.

The government is committed to an active economic policy to consolidate these strengths. A number of reforms in the tax, legal and administrative systems have been implemented over recent years, in order to improve the business environment in France. The 66 clusters, created at the initiative of private businesses and their public and private sector research & development partners, have led to vibrant local partnerships



PHILIPPE FAVRE

Ambassador, special representative for international investment

President of the Invest in France Agency

being set up to launch new innovative projects. These measures and programs help to make France more attractive to investors and international talent.

In its own way, the IFA is working to contribute to this positive performance by improving its methods of prospecting and assisting foreign businesses, and its after-care service; by expanding the scope of its activity to include regions that are potentially new sources of investment capital; and by developing its collaboration with regional partners.

An innovative France.

An open France.

A winning France.

It is a country that is geared toward the future, which we invite you to discover in the pages of this report.

2006 Review of foreign direct investment in France

- 10 Investment projects and jobs
- 12 Source countries
- 14 Sectors of business activity
- 18 Host regions
- 20 Interview with Christophe Weber,
CEO of GSK France

Investment projects and jobs

2006 saw a major increase in the number of jobs created through foreign investment: almost 40 000, which is an increase of 32.7% compared to last year.

A MAJOR INCREASE IN THE NUMBER OF JOBS CREATED.

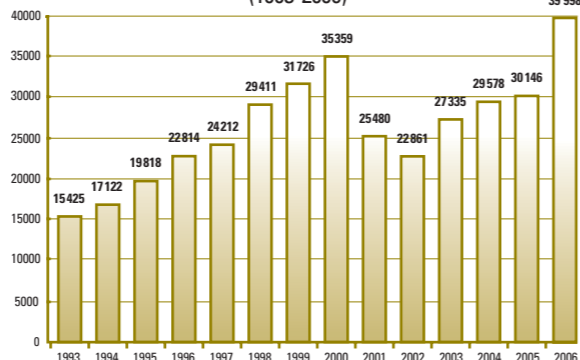
The number of foreign investment projects and related job creation in France declined quite significantly in 2001 and 2002, reflecting the fall in international foreign direct investment flows on a global level. However, over the past four years, there has been a consistently upward trend. This trend continued and was even more strong in 2006:

– **The number of jobs created or maintained** has shown a sharp increase, reaching a total of 39,998⁽¹⁾ (+32.7% compared to 2005). This is the highest level that has been recorded since the IFA review was established in 1993.

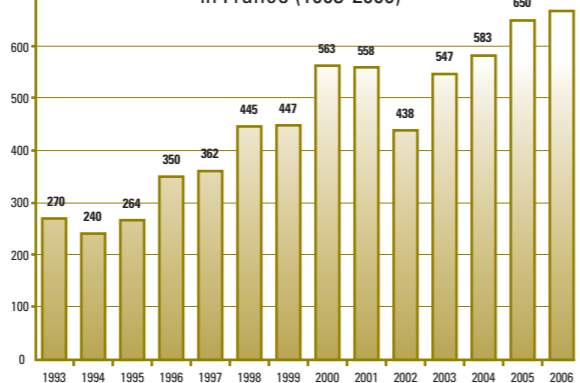
– **The number of projects in 2006** also increased, but at a slower rate, reaching 665 (+2.3% compared to 2005).

This positive trend reflects the general trend in Western Europe where the number of jobs created by multinational companies showed a major increase in 2006 (see appendix “International Economic Context”). In spite of strong competition from emerging and transitional countries in the bid for large manufacturing development projects, which are labor-intensive, developed

Evolution in the number of jobs created or maintained in France (1993-2006)



Evolution in the number of foreign investment projects in France (1993-2006)



countries in Western Europe, and France in particular, remain a prime location for multinational companies, especially in the services sector and in innovation (see below).

THE AVERAGE SIZE OF PROJECTS IS INCREASING.

The average size of investment projects, which declined consistently between 2002 and 2005, increased significantly in 2006, reaching over 60 jobs per project – this figure, however, remains lower than levels observed before the year 2000.

Several factors contribute to this upward trend:

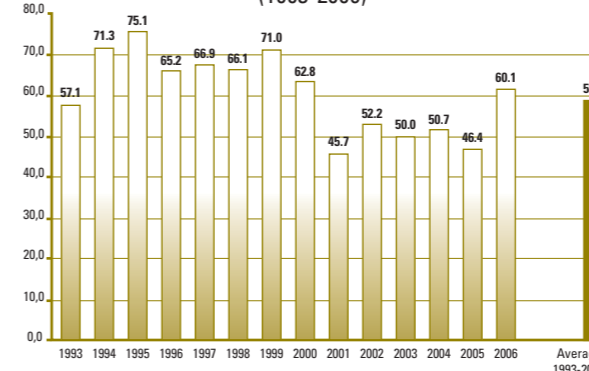
- A slight reduction in the number of small-scale investment projects: in 2006, projects creating less than 50 jobs per project numbered 468, compared to 502 in the previous year.

- An increase in the flow of medium-scale investment projects: in 2006, projects creating between 50 and 499 jobs numbered 191, compared to only 144 in the previous year.

- An increase in 2006 in the number of large-scale projects compared to the previous year: 5 major projects creating 500 or more jobs, compared to 4 projects in 2005. However, whereas the contribution made by projects in this category has increased compared to 2005, long term average levels remain constant: 13.7% of job creation compared with 13.1% between 1993 and 2006.

(1) For an explanation of methodology, see the appendix of the present report.

Average size of inward investment projects in France (1993-2006)



The growing importance of business consolidation investments

In an economic context that is defined by the constant restructuring of production networks, it is not enough to attract businesses to France; it is just as important for companies to be persuaded to stay. During their lifetime, existing business sites may be subject to three types of decision: closure or a reduction in activity; extension of activity; and finally, business consolidation investments (modernisation, change in the type of business activity).

This last type of investment project does not immediately result in the creation of new jobs, but is a demonstration of the company's intention to continue its business activity at the site in the medium-term. This type of investment often follows a decision process that involves competition among various other existing sites, either in Europe or indeed around the world. National public bodies and investment agencies can play an important role here, to tip the balance in favor of the site that is threatened. This is an important field of activity for the IFA.

In 2006, this type of investment operation enabled 3,432 jobs and 17 sites to be maintained. The following are two examples of investment projects in which the IFA and its regional partners were particularly involved, and which are characteristic of this type of investment:

- **The American Clientlogic Corporation group**, which is part of the American conglomerate Onex Corporation, is specialized in call centers. As part of plans to restructure its activities in Europe, the group decided to reinvest and maintain its site at Pont-Saint-Marie in the Champagne-Ardennes region, which employs just over 500 people.

- **Comap Industries**, which is a French subsidiary of the Dutch group Aalberts Industries, manufactures fittings for domestic heating, sanitation, gas and water. As part of its global strategy, the Aalberts Industries group adopted a policy to rationalize the number of its sites, by creating industrial centers of excellence. The future of the group's site at Saint-Denis de l'Hôtel, in the Loiret region, was called into question as it was in direct competition with other sites in Central Europe. Eventually, the Aalberts group took the decision to extend the site at Saint-Denis de l'Hôtel. This decision enabled around 260 jobs to be maintained and led to the creation of a further ten jobs. The project involves a 23 million euro investment project, including significant R&D activity.

These “maintained jobs” are included in a separate category from other types of investment project (business creation, extension and takeover). For the sake of consistency, these figures are not included in the review statistics presented in the rest of this report.

Source countries

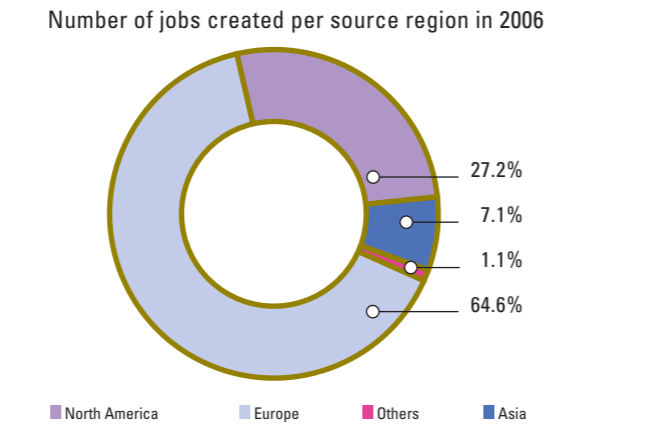
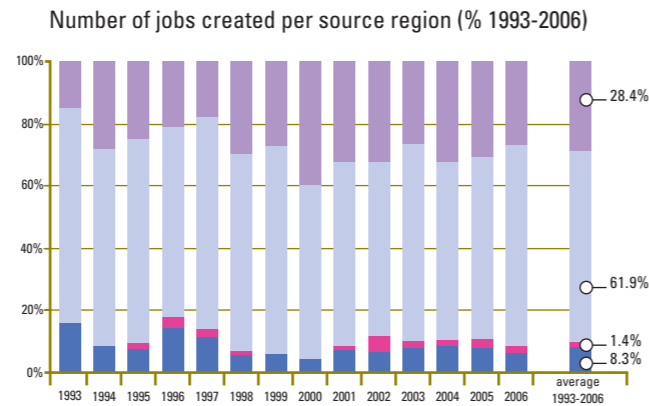
European companies accounted for 64.6% of total job creation from foreign investment in 2006, consolidating their leading position.

EUROPEAN COMPANIES ARE THE MAJOR SOURCE OF INWARD INVESTMENT IN FRANCE

EUROPE, A LEADING SOURCE OF INVESTMENT. The majority of foreign direct investment in European countries comes from European businesses. This is a reflection of the global importance of European companies in the world economy, but also the tendency of these companies to prioritize their own economic region, in terms of their international business strategy.

This predominance of European investors can also be seen in France: between 1993 and 2006, European investors accounted for 61.9% of total job creation from foreign investment in France, compared to 28.4% resulting from investment by North American businesses, and 8.3% from investment by Asian businesses.

This strong performance was further improved upon in 2006, where European companies accounted for 64.6% of total job creation from foreign investment, compared to 27.2% for North America and 7.1% for Asia.



The increase in investment flows from the continent, more than 8 000 units, itself accounts for more than 80% of the total growth in job creation in France between 2005 and 2006. North American businesses only account for less than 20%.

MAIN SOURCE COUNTRIES. Four countries (the United States, Germany, the United Kingdom and Sweden), together account for 60% of total job creation resulting from foreign investment in France, in 2006.

In 2006, North American companies maintained their position as the leading source of foreign investment in France, accounting for 23.8% of total job creation, in spite of the relatively limited growth compared to 2005. This year, these companies invested significantly in the automotive manufacturing industry (takeover of CF Gomma by Silver Point), while maintaining their investment levels in the services sector. However, the volume of job creation by North American companies has still not reached the levels recorded prior to 2001, in the electrical and electronics sectors.

Leading source countries for investment 2005-2006 (Number of jobs created)

Country	2005	2006	Difference 2006-2005	% 2005	% 2006
United States	8756	9511	755	29.0	23.8
Germany	6055	6570	515	20.1	16.4
United Kingdom	2598	4225	1627	8.6	10.6
Sweden	2247	3543	1296	7.5	8.9
Switzerland	715	2021	1306	2.4	5.1
Netherlands	1153	1862	709	3.8	4.7
China	582	1572	990	1.9	3.9
Spain	1084	1495	411	3.6	3.7
Canada	466	1359	893	1.5	3.4
Belgium	1391	1263	-128	4.6	3.2
Finland	222	1238	1016	0.7	3.1
Italy	1015	806	-209	3.4	2.0
Japan	1438	794	-644	4.8	2.0
Other	2424	3739	1315	8.0	9.3
Total	30146	39998	9852	100	100

German companies maintain their position as the 2nd leading source of foreign investment in France, despite the relatively limited growth in job creation (16.4% of jobs created). The levels of investment from German companies increased in the business services sector and remained constant in the automotive manufacturing industry, but levels showed a downward trend in the electrical and electronics sectors compared to 2005.

Investments by UK companies are in third position, accounting for 10.6% of the total number of jobs created. There has been a large increase in investment from UK companies, for the third consecutive year, since the low point registered in 2003. This significant upward trend is the result, in particular, of a large investment project in the pharmaceuticals sector (GSK in the Nord-Pas-de-Calais region), the setting up of a VirginMobile call center in the Mayenne region, and several smaller investment projects in the transport and logistics sectors. British investment shows consistently high levels in other service activities (business services in particular).

Swedish companies are ranked 4th in terms of foreign investment in France, accounting for 8.9% of total numbers of jobs created. This position is the result, in particular, of several Ikea investment projects in the household goods and furnishings sector, the extensions to the Renault Trucks (subsidiary of Volvo) sites in the Ain and Calvados regions, and the development of two Transcom call centers at Montluçon and Soissons.

Job creations resulting from investments by companies from Switzerland, Finland, Canada, China and the Netherlands, have also significantly increased, but remain more modest. It is worth noting that China dropped to 7th position this year, in terms of inward investment into France.

However, investments from Belgian, Italian and particularly Japanese companies show a drop in absolute values, compared to last year.

Sectors of business activity

2006 showed an increase in the numbers of jobs being created in the industrial sector: 25 400 compared to 18 800 in 2005

ANALYSIS PER SECTOR OF BUSINESS ACTIVITY: INDUSTRIAL VIBRANCY

POSITIVE TREND IN THE LEVELS OF JOB CREATION IN INDUSTRY.

Whereas the level of job creation resulting from foreign inward investment in the industrial sector declined consistently between 1995 and 2004, this trend has seen a reversal over the past two years. Since 2005, there has been an upward trend in the number of jobs created in the manufacturing industry as a result of foreign investment; this trend continued and increased considerably in 2006. With 25,409 jobs created or maintained, which is 6,568 more than in 2005, the manufacturing industry accounted for 63.5% of total job creation in France in 2006, compared to 62.5% in 2005, and 60.3% in 2004. The total number of jobs created is therefore approaching the highest level recorded in 2000, which was 27,200.

This renewed vigor is mainly due to three sectors of industry: the chemicals industry, which saw several large investment projects by the Chinese Bluestar company, and the takeover of Albermarle by the German PPC SAS; the machinery and mechanical engineering sectors, which saw several major business extensions (Liebherr, Blinker, JTC, UBC); finally, the aerospace industry, with the extension of the Eurocopter site in the Bouches-du-Rhône region. Two

other business activities also registered significant increases: the metals industry, which saw several takeovers (Trefileries de Conflandey taken over by Saarstal, Compagnie Alpine d'Aluminium taken over by AIAC, etc.); and the automotive industry, which saw extensions by Renault trucks to two of its French sites, and several takeovers (Michel Thierry taken over by Matlin Patterson, etc.).

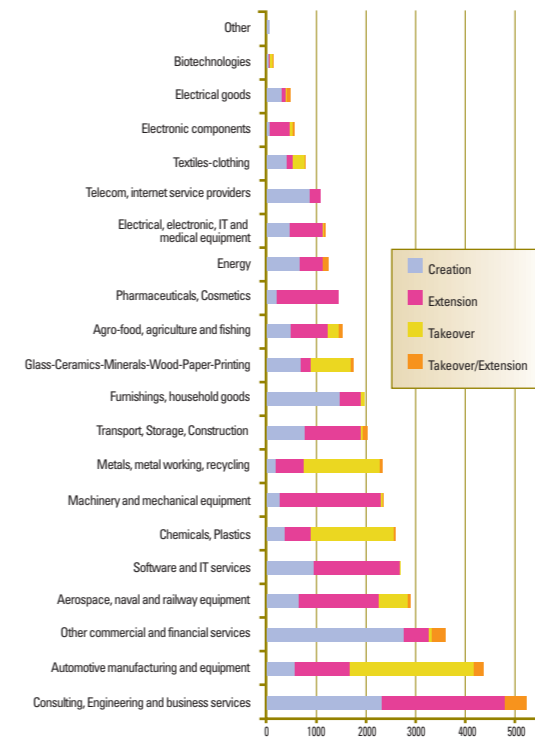
MIXED PERFORMANCE IN THE SERVICES SECTORS. In the services sectors, however, there was a sharp fall in the software industry after an exceptional year in 2005. This downward trend is compensated for by a surge in the business services sectors, which benefited from major extension projects in the consulting sector (Accenture), and various investment projects in call centers (Bertelsmann, Fonecta, Transcom, BCD Travel, Sitel, Number 118118, etc.).

In 2006, therefore, the business services sector became the biggest creator of jobs resulting from foreign investment in France, accounting for 13.0% of total foreign investment job creation, followed by the automotive manufacturing and equipment sector (10.9%), other services (8.9%), aerospace, naval and railway equipment (7.2%), and software (6.7%).

Number of jobs created per sector (2005-2006)

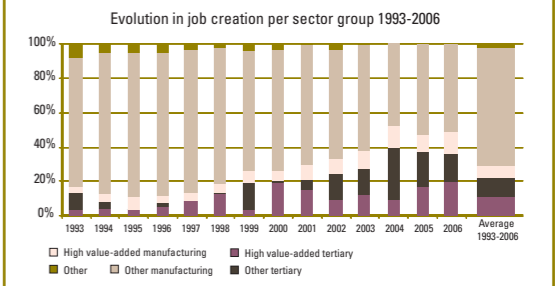
Sector	2005	2006	Difference 2006-2005	% 2005	% 2006
Consulting, engineering and business services	1465	5209	3744	4.9	13.0
Automotive manufacturing and equipment	3461	4344	883	11.5	10.9
Other commercial and financial services	3122	3575	453	10.4	8.9
Aerospace, naval and railway equipment	1606	2868	1262	5.3	7.2
Software and IT services	3784	2672	-1112	12.6	6.7
Chemicals, plastics	802	2582	1780	2.7	6.5
Machinery and mechanical equipment	1059	2343	1284	3.5	5.9
Metals, metal working, recycling	1359	2315	956	4.5	5.8
Transport, storage, construction	2399	2003	-396	8.0	5.0
Furnishings, household goods	2069	1955	-114	6.9	4.9
Glass, ceramics, minerals, wood-paper, printing	1677	1733	56	5.6	4.3
Agro-food, agriculture and fishing	1295	1506	211	4.3	3.8
Pharmaceuticals, cosmetics	597	1435	838	2.0	3.6
Energy	556	1223	667	1.8	3.1
Electrical, electronic, IT and medical equipment	2325	1176	-1149	7.7	2.9
Telecom, Internet service providers	535	1070	535	1.8	2.7
Textiles-clothing	673	774	101	2.2	1.9
Electronic components	667	547	-120	2.2	1.4
Electrical goods	545	475	-70	1.8	1.2
Biotechnologies	150	133	-17	0.5	0.3
Other		60	60	0.0	0.2
Total, of which	30146	39998	9852	100	100
- Industry	18841	25409	6568	62.5	63.5
- Services and other	11305	14589	3284	37.5	36.5

Job creation per sector and type of investment project in 2006



A surge in high tech intensive sectors and services

Over the past 15 years, the structure of inward investment into France has progressively changed due to two long-term developments: firstly, the increase in the importance of the services sector in the creation of jobs, and secondly the significant increase in activities that are technology intensive or and/or high added value intensive, including the pharmaceutical, biotechnology, electronic components and aerospace industries as well as the software and consulting-engineering industries. These six sectors accounted for 32.2% of job creation in 2006, compared to only 7.3% in 1993.



ANALYSIS PER TYPE OF BUSINESS ACTIVITY: POSITIVE PERFORMANCE OF "PRODUCTION" SECTORS

THE ADVANTAGES OF AN ANALYSIS PER TYPE OF BUSINESS ACTIVITY.

In order to carry out their business, companies rely on various types of activity: production of goods and services, of course, but also R&D, administrative services and company headquarters, logistics and distribution, call centers and tele-services, etc. It is important to review these in a specific index.

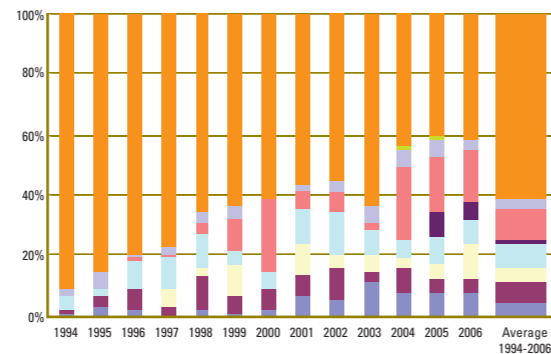
POSITIVE TREND IN "SUPPORT SERVICES" SECTORS.

The strong positive trend in the "support services" sector, and the adverse effect on the "production" sector, has been one of the most prominent movements in inward investment in France during recent years. Whereas "support services" accounted for only 10% of total job creation in 1994, this has increased consistently, reaching 58.5% in 2005.

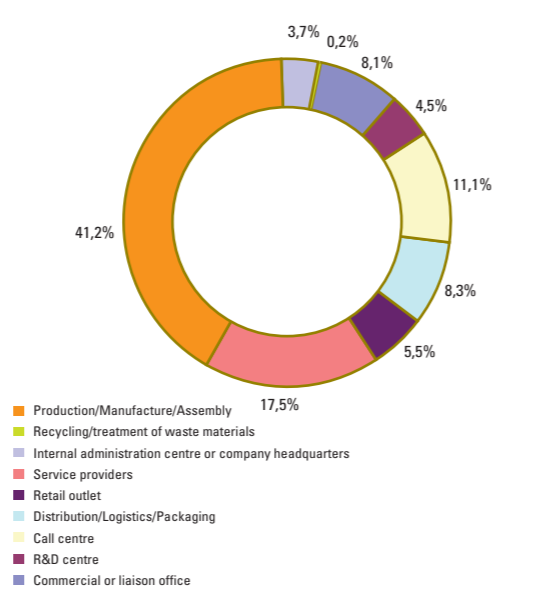
POSITIVE PERFORMANCE IN "PRODUCTION" IN 2006

However, the vibrancy of investment in the industrial sectors in 2006, has resulted in a significant increase in the number of jobs being created in "production" (16,461 compared to 12,177 in 2005). The percentage of "production" in the overall total has therefore stabilized, and even shows a slight increase (41.2% compared to 40.4% in 2005). This proves that France is capable of attracting production sites, particularly in activities that are relatively or highly technology intense.

Distribution of jobs per type of business activity (1994-2006)



Distribution of jobs per type of business activity in 2006



- Production/Manufacture/Assembly
- Recycling/treatment of waste materials
- Internal administration centre or company headquarters
- Service providers
- Retail outlet
- Distribution/Logistics/Packaging
- Call centre
- R&D centre
- Commercial or liaison office

Number of jobs created per type of business activity (2005-2006)

Function	2005	2006	Difference 2006-2005	% 2005	% 2006
Commercial or liaison office	2424	3221	797	8.0	8.1
R&D center	1139	1789	650	3.8	4.5
Call center	1445	4441	2996	4.8	11.1
Distribution, logistics, packaging	2966	3319	353	9.8	8.3
Retail outlet	2280	2199	-81	7.6	5.5
Service providers	5636	6981	1345	18.7	17.5
Internal administration center or company headquarters	1843	1499	-344	6.1	3.7
Recycling, treatment of waste materials	236	88	-148	0.8	0.2
Production, manufacture, assembly	12177	16461	4284	40.4	41.2
Total	30146	39998	9852	100	100

A GOOD YEAR FOR CALL CENTERS.

In the services sector in 2006, there was a particularly high level of investment projects in call centers. These investment projects created 4 441 jobs, which is 11.1% of this year's total. Major investors in this activity include: Bertelsmann (Ger), Fonecta (Fin), Transcom Worldwide (Sweden), BCD Travel (Holland), Virgin Mobile Telecom (UK), Sitel (Can), Number 118118 (UK), Expedia (US), etc.

The "service providers" sector, however, remains the leading source of job creation (17.5% of review total), showing a significant increase on 2005 figures. Companies that have made the biggest investments in this sector include: Accenture (US), KPMG (Holland), Blinker (Spain) and Deutsche Telekom (Ger). Most of the other service sectors (R&D, Logistics-distribution, Commercial real estate) have also experienced increases compared to last year. However, in "Retail outlets" and "Administration centers/Company headquarters", the numbers of jobs created fell slightly compared to last year.

MAJOR ROLE OF BUSINESS EXTENSIONS IN 2006, BUT HIGH INCREASE IN THE NUMBER OF TAKEOVERS

MAJOR ROLE OF BUSINESS EXTENSIONS.

In 2006, 40.2% of the total number of jobs created in France resulted from business extensions (44% including takeover/extensions). This type of investment accounted for an average of only 23.3% in 1993-1994; it then increased steadily to reach the record level of 45.4% in 2005 (47.7% including takeover/extensions), and subsequently fell slightly in 2006.

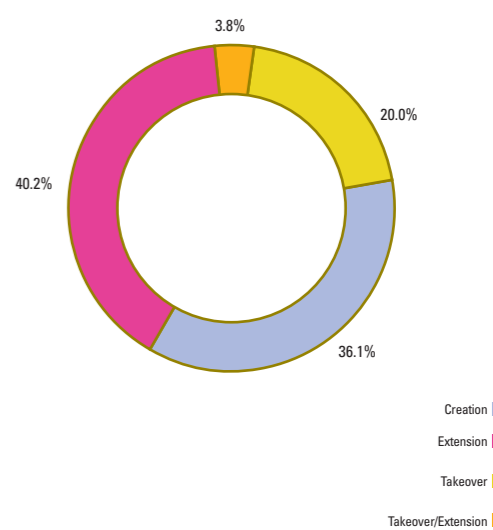
INCREASE IN TAKEOVERS.

In 2006, takeovers of businesses in difficulty represented 20% of the total number of jobs created and maintained in France. This shows quite a large increase compared to last year, which is due to several major investment operations. Apart from those already mentioned above, operations included the Avion Group (Isl) takeover of Star Airlines, and the Illinois Tools (US) takeover of Polyrey.

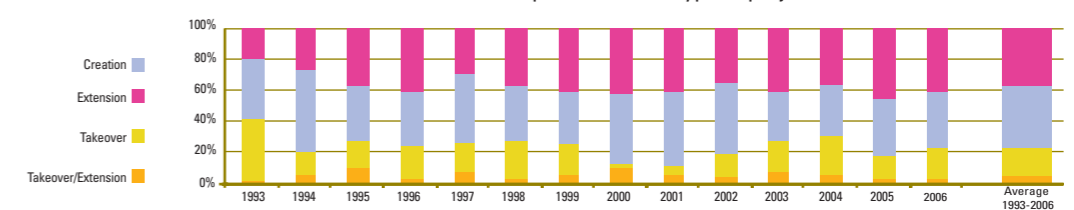
STABILITY IN BUSINESS CREATIONS.

In 2006, creations of new development sites accounted for 36.1% of total job creation, which is a similar level to last year (36%), but lower than in the mid-1990's. This stability in percentages is nonetheless accompanied by a very significant increase in the flows of jobs being created.

Job creation per mode of investment (% 2006)



Job creation per sector and type of project in 2006



Host regions

Practically all the regions of France benefited from the vibrancy of foreign investments in 2006.

IN 2006, SIX REGIONS ACCOUNTED FOR 62% OF TOTAL JOB CREATION IN FRANCE:

➤ **THE ILE-DE-FRANCE REGION** is very much in the lead, with 9,000 new jobs created, which is 22.5% of total job creation. However, despite a slight increase in numbers, the percentage for the region dipped slightly compared to 2005, where it represented 28.5%. Strong points remain business service activities, other commercial and financial services, and software, which represent more than one in every two jobs created in the region in 2006. In terms of type of business, the region specialises in providing services, commercial real estate, and administrative services and company headquarters; however, it only accounted for a small percentage of the jobs created in production in France in 2006.

➤ **THE RHÔNE-ALPES REGION** remains in second position, accounting for 10.4% of the total number of jobs created in France in 2006, which represents a slight decrease compared to 2005 (12.3%). The region is characterised by the broad diversity of business activities, and the structure is relatively close to that of the country as a whole in 2006. However, there was a significant flow of investment in the metals sector in particular, which is linked to several major takeovers.

➤ **THE PROVENCE-ALPES-CÔTE-D'AZUR REGION** is ranked in third position in 2006 (9.4% of total job creation in France), the number of jobs created having doubled compared to 2005. The region showed remarkable performances in the aerospace sector (Eurocopter at Marignane) and in R&D centers (Amadeus, Kohlberg Kravis Roberts & Co, Iter, Icera Semiconducteurs, Campbell).

➤ **THE NORD-PAS-DE-CALAIS REGION** (7.1% of jobs created) benefited from major investment projects in call centers (Bertelsmann, Creditsafe), and the pharmaceuticals industry (GSK), as well as the Ikea site at Hénin-Beaumont. The region confirmed its attractiveness for logistics activities; however, compared to previous years, it showed a downward trend in the automotive sector, which is traditionally one of the region's strengths.

➤ **THE MIDI-PYRENEES REGION**, accounting for 6.9% of total job creation, benefited from the vibrancy of the services sector, but also experienced a good year for automotive activities with the takeover of Michel Thierry by Matlin Patterson.

Jobs created or maintained per region (2005-2006)

Region	2005	2006	Difference 2006-2005	% 2005	% 2006
Ile-de-France	8590	9001	411	28.5	22.5
Rhône-Alpes	3694	4179	485	12.3	10.4
Provence-Alpes-Côte-d'Azur	1800	3742	1942	6.0	9.4
Nord-Pas-de-Calais	3089	2853	-236	10.2	7.1
Midi-Pyrénées	2517	2759	242	8.3	6.9
Bretagne	481	2171	1690	1.6	5.4
Lorraine	1974	1710	-264	6.5	4.3
Alsace	1770	1708	-62	5.9	4.3
Aquitaine	949	1647	698	3.1	4.1
Picardie	333	1340	1007	1.1	3.4
Auvergne	419	1305	886	1.4	3.3
Languedoc-Roussillon	630	1261	631	2.1	3.2
Haute-Normandie	554	1227	673	1.8	3.1
Champagne-Ardenne	124	1143	1019	0.4	2.9
Pays-de-la-Loire	795	904	109	2.6	2.3
Bourgogne	767	650	-117	2.5	1.6
Basse-Normandie	92	632	540	0.3	1.6
Poitou-Charentes	434	573	139	1.4	1.4
Franche-Comté	158	446	288	0.5	1.1
Centre	919	442	-477	3.0	1.1
Dom-Tom	10	270	260	0.0	0.7
Limousin	44	24	-20	0.1	0.1
Corse	3	11	8	0.0	0.0
Total	30146	39998	9852	100	100

➤ **THE BRITTANY REGION** achieved positive results (5.4% of total job creation in France), which essentially resulted from the takeover of CF Gomma in Rennes by Silver Point Capital (1,600 jobs maintained).

➤ **IN THE OTHER REGIONS**, there is a positive trend in the levels of job creation in the Aquitaine, Picardie, Auvergne, Haute-Normandie, Champagne-Ardennes, Languedoc-Roussillon, Basse-Normandie, and Pays-de-la-Loire regions; and an increase on very slight levels in the Poitou-Charentes and Franche-Comté regions. Levels have dropped slightly in the Alsace, Lorraine and Bourgogne regions.

Levels remain marginal in Corsica, the Limousin region, and in the DomTom region despite a significant acquisition transaction. In order to gather a more realistic idea of the attractiveness of each particular region of France, the flow of job creations should be compared to the regional levels of active population. According to this index, the regions that achieved the best performances are: the Midi-Pyrénées, Auvergne, Alsace, Champagne-Ardennes, Provence-Alpes-Côte-d'Azur, Lorraine, Picardie and Nord-pas-de-Calais regions, where the percentage of jobs created from foreign investment compared to the active population was more than 0.2%.

Interview with Christophe Weber, CEO of GSK France

On 29 September 2006, the British laboratory GlaxoSmithKline (GSK) announced plans to build a new production unit for vaccines, at the site of its Sterilyo subsidiary at Saint-Amand-les-Eaux (in the Nord-Pas-de-Calais region). This is the biggest investment in the pharmaceutical industry in France in ten years.



Site of GSK at Saint-Amand-les-Eaux

in Belgium, in the suburbs of Brussels, which is where a highly sensitive component of Cervarix®, the antigen, will be produced. Moreover, there is a ready availability of skilled manpower.

What was the role of the local authorities?

➤ The project received political and administrative support: Lord Mayor of Saint-Amand, NFX (the regional economic development agency), other local and national authorities, the IFA and various government ministries. The Valenciennes “sous-préfecture” administrative service was very efficient; they organized contacts with all the local technical services, and coordinated their planning – which is an enormous undertaking but indispensable given the complexity of the investment project. Also, support from the French Government and a letter received from Thierry Breton, the French minister for economic affairs, were deciding factors.

What are the next stages in the development of this project?

➤ The site represents an investment of 500 million euros and the creation of 300 jobs by 2009, and a further 300 jobs by 2011, which is when we expect the site to be in commercial production. Timescales regarding industrial investment, setting up production chains and authorizations for new products will in fact be quite long: 5 years in total. The teams therefore need to be set up long before production starts, in order to enable the various authorizations to be obtained. We will put this long period to good use, by consolidating and developing our existing expertise at our lyophilization and filling site, which will be useful not only in the production of Cervarix® but for other vaccines as well.

What will be the economic impact of this project in the area?

➤ This project, as is usually the case in the vaccines industry, will involve a high added value production process very similar to an R&D project, which will require highly qualified manpower. For this reason, the site will necessarily remain in the same location for a considerable length of time, probably tens of years. It will also have positive economic repercussions: according to a study carried out by Cemka consultants, each job directly created by GSK will lead on average to a further four jobs being created within the French economy.

How do you see the future of GSK in France?

➤ Apart from the Valenciennes project, this year we have also created 600 more jobs in France at our existing sites, and consolidated our R&D center at Les Ulis. We are optimistic for the coming years, provided that French government policy regarding pharmaceutical drugs does not change untowardly, since we are necessarily totally dependent on that policy. We are in favor of extensive structural selectivity in the market, reimbursement of the most innovative drugs and the development of generic drugs when licences terminate. However, in France, financial pressure on the pharmaceutical industry is too high: various taxes (promotion, specific reimbursement, etc), lowering of authorised prices, legislation to limit the growth of the market, notwithstanding the level of innovation. It is necessary to understand that the pharmaceutical industry is highly international, and that competition between countries to attract new project developments is very strong. France still has some strengths; however these should not be undermined but rather developed further by means of industrial strategy in favor of this sector which is R&D intensive.

What was the origin of this project?

➤ GSK discovered a new vaccine to protect against cervical cancer, called Cervarix®. We wanted to produce this vaccine at several different sites around the world: one for each major market region, taking into account logistics issues and in order to optimize



our distribution process. Regarding the European site, the project first came up for discussion in 2005. Several different countries were in competition for the project: Ireland, Hungary, Belgium, England and, of course, France. Each of these countries offered various advantages: the British Isles for example offered a very favorable business environment, and significant tax and financial incentives.

What were the various stages of the decision-making process?

➤ Competition between the various sites was strong right up to the end, which led to intense discussions. Each national subsidiary was, of

course, trying to promote the advantages of its own location, acting as spokesperson for that location within the group. Because of the diversity of our location criteria – industrial logic, infrastructure and availability of manpower, tax and financial issues, status of national pharmaceutical drugs markets – the decision was not an easy one. The decision was eventually taken by the CEO of the group in June 2006, and ratified by the board of directors in July. A project of this size does not come along every day and we could not let it slip by. I am pleased that we succeeded.

What were the deciding factors in favor of France?

➤ From the start, France offered significant advantages: a market that optimises our pharmaceutical products; recognition of intellectual property rights; finally, the tax initiative concerning tax credit based on investment, which was launched in 2006, and which was perceived by pharmaceutical groups as a very positive signal from the French administration. But the final decision was based, above all, on industrial logic: our Sterilyo production site at Saint-Amand-les-Eaux, which specialises in lyophilisation (freeze-drying), is working successfully. It is close to our large vaccine production site



France: an economy geared toward innovation

- 24 Clusters
- 26 Administrative and commercial services
- 28 Aerospace
- 30 Agro-food
- 32 Automotive
- 34 Chemicals, materials, energy and the environment
- 36 Health biotechnologies
- 38 Information and communication technologies
- 40 Logistics
- 42 Reforms to improve the attractiveness of France

Clusters

CHAPTER II

The attractiveness of France is largely based on its capacity to offer favorable conditions for innovative project developments. The French policy of clusters aims to further capitalize on this potential.

The government places innovation at the heart of its economic policy. The designation of 66 clusters, including 16 worldwide clusters, is a response to the public and private business initiatives of companies and research centers. Whether they serve the high tech sectors, such as the nanotechnology and biotechnology fields, or more traditional industries, these clusters have one thing in common: they are all part of an innovation dynamic, which is the source of both added value and lasting employment.

PARTNERSHIPS AND WORKING WITHIN A NETWORK KEYS TO THE SUCCESS OF CLUSTERS

Thanks to their immersion in the fabric of the local economy, these clusters present a privileged environment for partnerships, which enable businesses, research laboratories, universities and teaching institutes to work within the same network. International clusters provide foreign investors with extremely favorable location conditions for their project development, since they have direct access to these networks. Businesses can access the talent and expertise they require in one location. They can participate in projects that are co-financed by the public sector and become part of a network of highly specialized sub-contractors and clients.

THE FRENCH STATE SUPPORTS CLUSTERS WITH 1.5 BILLION EUROS IN FUNDING OVER THREE YEARS

Public sector funding takes the form of:

- support credits from various Government ministries (230 million euros per year) grouped into a single fund called the "Fonds de compétitivité des entreprises" – FCE (business competitiveness fund), which is managed by the French Ministry of Economy, Finance and Industry;
- funding from national agencies worth approximately 170 million euros per year (National Research Agency, Industrial Innovation Agency, Oséo);
- tax credits and reductions in social security charges (100 million euros per year).

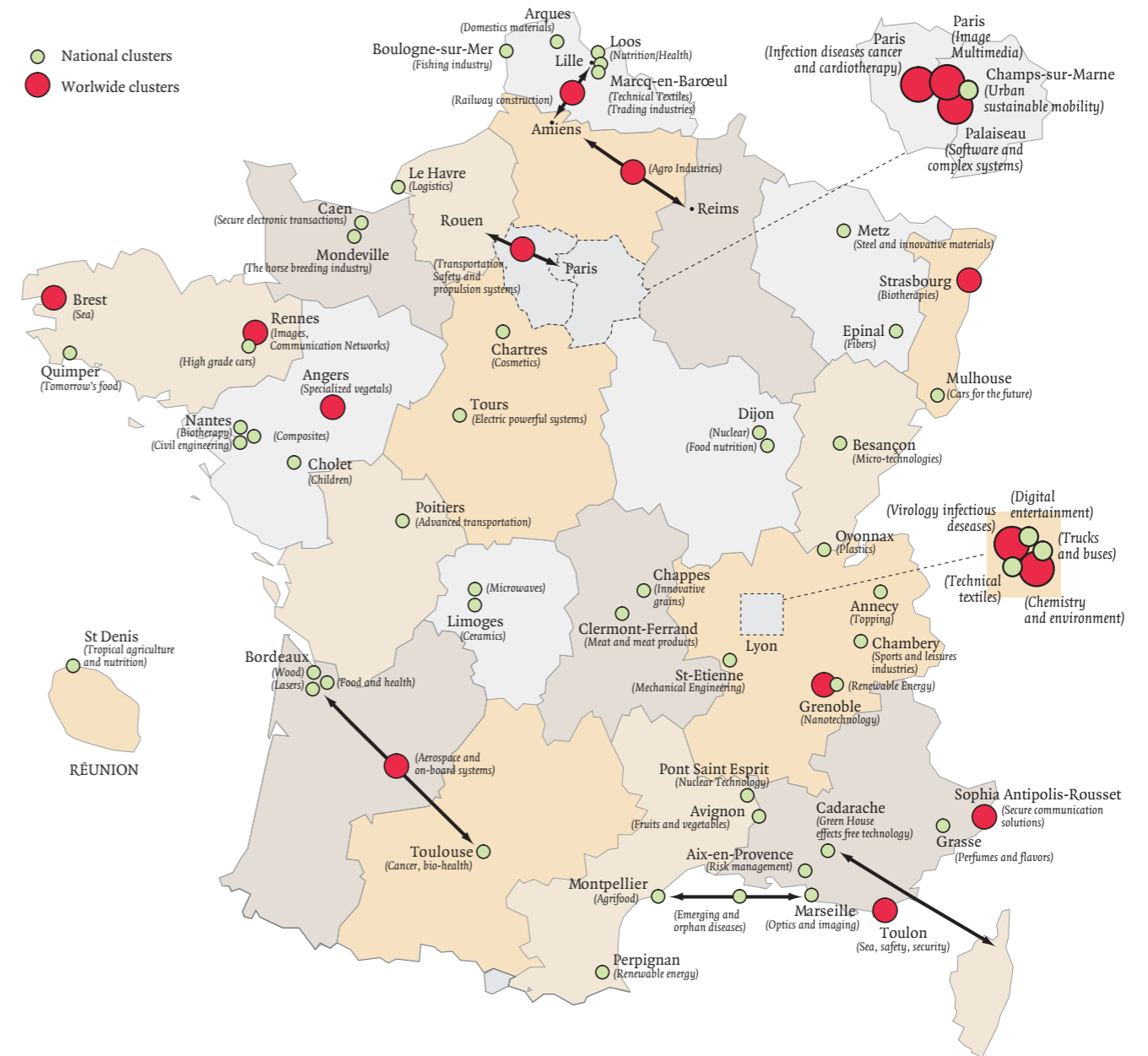
In addition to state funding, the clusters also receive financial support from local authorities and regional authorities in particular.

Clusters in France:

- 66 designated clusters
- 16 worldwide clusters

Public funding:

- 1.5 billion euros over 3 years



Source: DGE mars 2006

Administrative and commercial services

To attract call centers, shared services centers, and company headquarters, France has some major advantages to offer: qualified manpower, modern office buildings, and high quality infrastructure.

FRANCE: AN ECONOMY GEARED TOWARD INNOVATION



© C. Vardet - Transcom Rouanne

At the same time as businesses began to develop their production and distribution activities in foreign countries, their tertiary activities also became international. An important international “market” consequently evolved to attract these activities: 250 projects per year in Europe over the past four years, according to IFA estimations. France offers several major advantages to attract these projects:

➤ **HIGH QUALITY MANPOWER, GOOD QUALITY/COST RATIO.** Our country has one of the most highly qualified workforces in Europe: 37% of the 25-34 age group for example are further education graduates, compared with the European Union average of 29%. Employment costs for engineers and management personnel in France, including social security charges, are lower than in northern Europe.

➤ **A LARGE CAPITAL CITY THAT ATTRACTS COMPANY HEADQUARTERS.** Paris offers advantages which are similar, or even superior, to those in London, Brussels or Frankfurt: international airport hub, Europe’s 2nd most important stock exchange, 2nd largest concentration of decision-centers worldwide. Also, the availability of real estate: in 2006, more than 2.6 million m² of office space were commercialized in the Ile-de-France region, at much

Transcom created more than 800 jobs in France in 2006, as a result of two major investment projects at Soissons and Montluçon.

➤ 4 400 jobs created through foreign investment in call centers in 2006

➤ Paris, 2nd favorite city for businesses setting up in Europe

➤ Over 2.6 million m² of commercial office space available in the Ile-de-France region in 2006

lower rates than in the London area. This explains why, in the Cushman & Wakefield study, investment decision-makers voted the French capital the 2nd most attractive location to set up their European business activities.

➤ **DIVERSE FACILITIES IN URBAN AREAS, TO CATER FOR CALL CENTERS AND SHARED SERVICE CENTERS.** Thanks to ambitious urban regeneration programs (Part-Dieu in Lyon, Marseille Euromed, the old docks at Nantes, Euralille, etc.), most major French cities offer a range of modern office space. Prices

are extremely competitive compared, for example, with cities in Great Britain which are quickly reaching saturation point. Our smaller urban areas also offer an attractive environment, as can be seen by the Transcom call center recently located at Soissons.

➤ **QUALITY INFRASTRUCTURES.** This is particularly relevant to the ITC service industry, where quality infrastructure is indispensable for remote client contact and the management of cross-border networks. The broadband availability rate is now higher than 95% in France; telecom tariffs are among the lowest in the European Union; and the network is extremely reliable.

These strong points go some way to explaining France’s positive performance in attracting these activities. This is in spite of strong competition from Britain, Switzerland and the Benelux countries for attracting company headquarters, and increased competition from offshore destinations (Morocco and Tunisia in particular) for attracting call centers and shared service centers. Every year, between 2001 and 2005, an average of 1,500 jobs were created in call centers, and 1,000 jobs were created in company headquarters and administration services, as a direct result of international investment. International companies that have already located their businesses in France include: Transcom, Clientlogic, Sitel, and Intracall (Fonecta). This positive performance was again improved upon in 2006, with call centers being set up by Creditsafe, Virgin Mobile and Expedia; and headquarters being set up by EZ System, as well as by several Chinese companies (BBCA, Hisense, China Unionpass, Watchdata). More than 4,000 jobs have been created or maintained this year in call centers, and a further 1,350 jobs in administration services and company headquarters.

SOME EXAMPLES OF PROJECTS IN FRANCE IN 2006

➤ The Scandinavian company **Creditsafe**, announced plans to set up a site at Roubaix. Creditsafe is specialized in providing on-line financial information. In the summer of 2006, the company confirmed its decision to locate its head office France and its client service center at Roubaix. The site will employ 110 people within 3 years.

➤ **Virgin Mobile** and **Carphone Warehouse** announced plans to create 300 jobs at Laval. Following a joint venture operation involving Virgin Mobile and Carphone Warehouse/The Phone House, the group launched its mobile phone activity in France and decided to locate its client contact center at Laval. 300 jobs are to be created over 3 years.

➤ **Fonecta** (Finland) is opening a call center which will employ 350 people, in the Champagne-Ardennes region.

➤ **Expedia** (United States), the on-line travel agent, decided in October 2006 to relocate its French business activities to Marseille, and set up a new client contact center and back office there (more than 200 jobs created).

➤ **EZ System** (Norway) is opening a South Europe ITC headquarters in Lyon, which will employ 30 people.

Aerospace

The many programs developed by the French aerospace industry offer exciting partnership opportunities for companies from around the world.

The worldwide aerospace industry is very R&D intense, with highly internationalized markets, and is based around several companies that are skilled in the required key technologies, in a relatively small number of countries. Although products and services are extremely diverse – military aircraft, helicopters, space vehicles, maintenance, private jets – the most important market remains civil aviation.

A VIBRANT INDUSTRY

The French aerospace industry, which gained in competitiveness as a result of its participation in several joint European programs, enjoys a world-

FRANCE: AN ECONOMY GEARED TOWARD INNOVATION



© F. Robineau - Dassault/Aviaplans

wide reputation. Today it is one of the leading industries in France: 131,000 highly qualified employees; over 30 billion euros in turnover in 2006, three quarters of which concerned exports and one half of this concerned the Airbus program. The French industry is present in all sectors of activity, with substantial benefits for R&D activities, trade balance, economic growth and the creation of qualified jobs. The vibrancy of the market, and the success of new programs that were commercially well received, have meant that the French aerospace industry experienced a sustained average annual growth rate of over 10% in 2005 and 2006.

The Falcon aircraft, produced by Dassault Aviation, is among world market leaders

LEADERS IN THEIR FIELD

The aerospace sector is structured around ten groups that are all at the forefront, or are world leaders, in their field: EADS/Airbus, leader in civil aircraft manufacturing, on a par with Boeing; Safran, leader worldwide for motors; Turbomeca, n°1 worldwide for helicopter engines; Eurocopter, subsidiary of EADS, leading helicopter manufacturer worldwide, with its Tigra and Puma programs in particular; Dassault Aviation, leader worldwide for private jets with its Falcon program, and leading player in military

➤ Europe's leading civil aviation industry

➤ 1 worldwide cluster

➤ 16.6% of turnover dedicated to R&D

aviation with the Rafale; Ariespace, among the world leaders in the satellite market; Thalès Electronics, Alcatel Alenia Space, etc. These companies rely on a network of hundreds of subcontractors and suppliers who are at the forefront of specialized fields such as embedded IT, guidance and detection systems, or composite materials.

INTENSE RESEARCH AND DEVELOPMENT ACTIVITY

French aerospace companies invest more than 16% of their turnover in R&D activities, which is more than their counterparts in other major competitor countries. Private R&D expenditure amounts to 2.3 billion euros, which enables 15,600 people to be employed including 8,400 research scientists. Public bodies are also very active, particularly the Onera (2,000 employees including 1,500 research scientists), the CNES (which actively participates in European Space Agency programs), as well as the CNRT (Centres Nationaux de Recherche et Technologies Spécialisés – National centers for specialized research and technology). Sectors in which French research excels include: propulsion and combustion, composite materials, aerodynamics, acoustics, embedded electronic and IT systems. The CATIA (Computer graphic aided three-dimensional interactive application) software is just one example of a “success story”: initially created by Dassault Aviation for in-house use, the system became increasingly successful on the international market.

SOME EXAMPLES OF INVESTMENT IN 2006:

➤ **Eurocopter** is extending its site at Marignane (1 200 new jobs, 840 of which are considered as directly resulting from foreign investment) ➤ **ATR** (85% foreign equity) is increasing aircraft production capacity at its Toulouse-Blagnac site (80 jobs) ➤ **EADS Astrium** is recruiting at its Toulouse site to cater for expansions in its satellite program (70 jobs) ➤ **Leach** (United States) is setting up a production site for navigation systems equipment at Niort (65 jobs) ➤ **OHB Technology** (Germany) is opening an aerospace engineering and technical design office in Paris (50 jobs).

HIGHLY QUALIFIED WORKFORCE

The quality of the workforce is of extreme importance in a sector where the personnel is made up of 60% engineers and management personnel. Highly esteemed specialist schools including: Sup'Aero, Ensica, Enac, Ensma, provide training for top level engineers.

➤ “We could have located our R & D center at two other sites in Hamburg and London; We chose Toulouse, Europe's only worldwide aerospace center”.

Pierre Larregle, Director, Axiom Europe.

FRANCE, A WELCOMING COUNTRY

There are many foreign companies operating in France, including both European consortiums with French participation (EADS, ATR, etc.), and independent subcontractors and suppliers. They account for 47% of total turnover in this sector today. Around 50 different suppliers from all over the world are involved for example in the design of the A380 aircraft. Many foreign companies, particularly US companies, were involved in the design of the Falcon aircraft.

Agro-food

In France, innovation in the agro-food industry is... traditional! World leaders in the sector know this, and are increasingly setting up their R&D centers close to where the products of the future are being created now.

The European market is the leading food market on the planet, with 450 million consumers with high levels of purchasing power, and is vital to any business which has international strategy objectives. However, this market has its constraints that are linked to the nature of most of the products, the corresponding logistics issues, and a strict regulatory and health and safety environment. Moreover, consumer tastes are constantly changing, which means that industrials are obliged to adapt their products to

FRANCE: AN ECONOMY GEARED TOWARD INNOVATION



cater to new trends. The creation of a production, transformation or R&D base are part of process which is practically indispensable for doing business in Europe.

In this respect, France can offer businesses several major advantages. It is situated at the heart of the biggest agro-food market on the planet: 800 billion euros in a 500 km radius around its borders. France boasts a first-rate technical-industrial environment: it is Europe's leading agro-food industry accounting for 20% of total turnover and 18% of exports in the European Union; it has a 420,000 workforce, 11,000 companies including some of the major companies worldwide; a strong network of research centers and training facilities (INRA, Institut Pasteur); 17 designated competitiveness clusters specialising in the food, vegetal and agro-resources sectors; expertise in the field of integrating technological processes resulting from R&D intensive industrial sectors, which is recognized around the world; more than 400 suppliers who are engaged in the development of new technical solutions; and the world's leading temperature controlled logistics network. But above all, our country offers vast potential in terms of innovation and partnerships, as can be seen from the following examples:

The McCain factory at Matouges, in the Marne region, has been making potato-based food products for the European market since 1999.

➤ Europe's leading agro-food industry

➤ Nearly 420,000 jobs

➤ 17 clusters including 2 worldwide clusters

➤ **FOOD-HEALTHCARE.** Breaking down the boundaries between nutrition, healthcare, well-being and cosmetics, the food-healthcare sector (health-foods, functional products, food supplements) is continuing to expand and infiltrate all different product ranges. This widescale expansion is based on partnerships and transfers of expertise, which are often initiated by the competitiveness clusters specialized in nutrition such as Vitagora in the Rhône Valley, Qu@limed in the Languedoc-Roussillon region, Prod'Innov in the Aquitaine region, Aliments de Demain (Food for Tomorrow) in the Brittany region, Nutrition Santé Longévité (Nutrition

➤ **ENERGY BIO-RESOURCES.** Reductions in the supply of fossil fuels, and concern for the protection of the environment, have also opened up vast markets in agro-resources, including bio-energies (bio-fuels, bio-gas, electric cogeneration... etc.), bio-molecules (bio-solvents, bio-lubricants, bio-polymers), or agro-materials such as hemp or linen that are increasingly being developed for use in the construction, automotive, textile industries etc. The Agro-resources cluster in the Champagne-Ardennes and Picardie region in particular, is an important catalyst for developing working partnerships between industrials and research laboratories. It aims to become the Europe's leading center for the non-nutritional use of agro-resources by 2015. This stimulating environment and the opportunities for market development in Europe, are strong arguments in favor of France for the attraction of foreign companies. In 2006, the Spanish group Acciona, the German company Saria, the American company Cargill and the English company Ineos, all chose France as the location to set up or develop their activity in the bio-fuels sector.

➤ **INTERMEDIATE FOOD PRODUCTS.** The exchange of intermediate food products between industrials is a particularly active segment of the food market. With a growth rate of almost 10% over the past ten years, the intermediate food products and technical ingredients sector currently represents 25% of France's national agro-food business. In 2006, the Irish companies Moy Park and Kerry Ingredients in the Nord-Pas-de-Calais region and the Japanese companies Ariake and Ajinomoto in the Normandy region, contributed to the development of this sector.

THEY INVESTED IN FRANCE IN 2006

➤ **Acciona** (Spain) ➤ **Agco** (USA) ➤ **Agrifreez** (Belg)
 ➤ **Ajinomoto** (JPN) ➤ **Aldis** (Ger) ➤ **Muyshondt** (Belg)
 ➤ **BBCA** (China) ➤ **Bonbon Buddies** (GB) ➤ **Cargill** (USA)
 ➤ **Chiquita** (USA) ➤ **Cuisine Solutions** (USA)
 ➤ **East Balt** (USA) ➤ **Eismann** (Ger) ➤ **Exki** (Belg)
 ➤ **Finnforest** (Fin) ➤ **Finsa** (Spain) ➤ **Hallvard Lerøy** (Nor)
 ➤ **Fjord Seafood** (Nor) ➤ **Franfurter Brauhaus** (Ger)
 ➤ **Ezaki Glico** (JPN) ➤ **Hans Wüst** (Ger) ➤ **Ineos** (GB)
 ➤ **Kerry** (Irl) ➤ **Yoshikawa Shoji** (JPN) ➤ **Scottish Newcastle** (GB) ➤ **KWS** (Ger) ➤ **La Foca** (Italy) ➤ **Lidl** (Ger)
 ➤ **Eli Brameli** (Isr) ➤ **Modulex** (Can) ➤ **Moy Park** (Irl)
 ➤ **Omka** (Lebanon) ➤ **Illinois Tool Works** (USA)
 ➤ **Porto Cork** (Por) ➤ **PRBois** (Fin) ➤ **Saria** (Ger)
 ➤ **Belgomilk** (Belg) ➤ **Smurfit, Van Drie** (NL) ➤ **UPM** (Switz)
 ➤ **Wrigley** (USA) ➤ etc.

Health Longevity) in the Nord-Pas-de-Calais region. In the west of France alone, 6,000 people are employed in the food-healthcare sector. Alongside leading French companies such as Danone and Lactalis, which produce bio-active and low-fat products, multinationals such as Unilever and Nestlé have chosen France as the location for their world R&D centers in this field.

These advantages make France one of the most attractive locations for agro-food investment projects in Europe. For this reason, between 2002 and 2005, France attracted more than 15% of all international investment projects in this part of the world, which constitutes an average of 2,500 jobs per year. Foreign companies account for almost one in four jobs in the agro-food industry in France.

Automotive

The French automotive sector offers foreign industrials excellent development prospects for their innovative projects.

The worldwide automotive sector represents a colossal market worth over 1 000 billion dollars per year, with the annual production of 66.5 million vehicles. However, it is also a sector which is experiencing increased competition from Asian manufacturers and countries with low manpower costs, in terms of the bid for new industrial development projects. In order to maintain competitive production, developed countries must necessarily turn to innovation and the development of new equipment and vehicles with high added value. France has decidedly opted for this solution.

A SOUND INDUSTRIAL FOUNDATION

France currently manufactures 3.5 million vehicles on 20 different assembly sites, which makes it

FRANCE: AN ECONOMY GEARED TOWARD INNOVATION



Europe's second leading manufacturer, accounting for 17.1% of total European production. France's two leading manufacturers – PSA and Renault – are respectively ranked 8th and 10th worldwide. They offer significant opportunities for parts manufacturers, which has enabled an efficient supply chain to be built up around international companies such as Faurecia and Valeo.

The French automotive industry employs a total of 300,000 people, not including the further 400,000 people employed in related parts supply and service sectors. The quality of the French automotive industry is recognized worldwide and relies on a vast network of specialized training centers, including: Cesti/Supmeca (Center for higher education in industrial techniques), l'Ecole nationale des professionnels de l'automobile – GARAC (National school for professionals in the automotive industry), ENSAM (National higher school for trade), ESTACA (Higher school of Aerospace and automotive manufacturing), Institut français du pétrole (French Petroleum Institute), etc.

A SECTOR GEARED TOWARD INNOVATION

France's leading manufacturers, PSA and Renault, invest 5% of their turnover in R&D, which makes the automotive industry the biggest industrial investor

Via its subsidiary, Renault Trucks, Volvo created hundreds of jobs in 2006, at its Bourg-en-Bresse and Blainville-sur-Orne sites

➤ 2nd largest automotive industry in Europe

➤ 5 clusters including 1 worldwide cluster

➤ 30,000 people employed in R&D

in R&D in this country, with a total of 30,000 research scientists and technicians. These researchers and technicians work on programs that involve the combining of expertise from various different fields such as electronics, materials and energy, which explains the importance of partnerships in this sector. PSA for example, has entered into a strategic partnership with Fiat, to produce utility vehicles in the Nord-Pas-de-Calais region of France (Sevelnord); and with Saint Gobain, Faurecia and the Japanese company Ividen, to develop a clean diesel engine with particle filters. Parts manufacturers are also active: Faurecia for example is at the forefront of worldwide research into active and passive pedestrian and

(Luxury vehicles) in the Loire region and in Rennes, Lyon Urban (Truck and Bus) in the Rhône-Alpes region, *Mobilité et transports avancés* (Mobility and advanced transport) in the Poitou-Charentes region, has enabled these strengths to be optimized, by creating new perspectives for the launch of innovative project partnerships involving a number of foreign companies.

MANY FOREIGN INVESTMENT PROJECTS

For the past ten years, France has ranked among the top European countries in terms of attracting automotive investment in the Europe zone (40,000 jobs created by foreign investment projects over 10 years). The large number of foreign automotive manufacturers based in France include: Toyota, which chose to locate its Yaris production site at Valenciennes (4,000 employees), and its ED2 design center at Sophia-Antipolis; Daimler Benz, which manufactures its Swatch model at Hambach in the Lorraine region, working with many of the parts manufacturers located at the industrial supplier site. Foreign parts manufacturing companies – including the biggest names in the sector such as Delphi, Bosch, Sanden, Magna – represent 64% of sales and 70% of exports in this sector.

Among the major investors in 2006, one can mention Modern Engineering. In September 2006, the American company announced plans to open a new site at the Metrotech technology hub in Saint Jean de Bonnefonds, near Saint Etienne (165 high added value jobs within three years). Modern Engineering, founded in 1946, aims to optimize manufacturing processes and the rolling stock manufacturing supply chain. The main factors in this investment decision were: the quality of local research and training facilities, the presence of a significant number of partners and clients already located in the area, the existence of clusters (*Car, Integra, Rhône-Alpes Automotive Cluster, Viameca, Lyon Urban Truck and Bus*), and the support of the French national and local authorities.

MAJOR PROJECTS IN 2006 INCLUDED:

- The inauguration by the American group **BorgWarner** of its new plant at Eyrein in the Corrèze region (120 jobs)
- The extension by **Renault Trucks**, subsidiary of the Swedish Volvo company, of its Blainville-sur-Orne site in the Calvados region (240 jobs) and the recruitment of more than 240 employees for its Bourg-en-Bresse site
- The creation of a new site at Saint-Etienne by the American company **Modern Engineering** (165 jobs)
- The announcement by the American company **Johnson Controls**, concerning its decision to invest 15 million euros, in partnership with SAFT, in the construction of a new plant at the Nersac site (Charente region), to produce lithium-ion batteries for electric and hybrid vehicles.

passenger protection. Industrials can also benefit from the large network of public research centers, such as Inrest, Aec, Inria, CNRS, LCPC, and IFP-Ensm. France is at the forefront of worldwide research in the fields of hybrid motors (demo vehicle equipped with HDi hybrid motor), electric vehicles, automotive electronics, innovative materials, and surface coatings.

The creation of clusters, such as *Mov'eo* in the Seine Valley, *Véhicules du Futur* (Vehicles of the future) in the Franche-Comté region, *Automobile de haute gamme*

Chemicals, materials, energy and the environment

FRANCE: AN ECONOMY GEARED TOWARD INNOVATION



GE Company Proprietary

Chemical composites, fine chemicals, polymer technology, and nuclear technology: within the immense field of materials and energy, France has many advantages that have not gone unnoticed by international investors.

The materials and energy sectors, and all the activities contained therein, are a significant source of international investment: they account for more than 16% of all projects identified in Europe (not including acquisitions) by the IFA monitors since 2002. France has many strong points in each of these sectors:

➤ **CHEMICALS.** The French chemicals industry is the 5th biggest producer and 3rd biggest exporter world-

wide. It is the second biggest chemicals industry in Europe after Germany, with a turnover of around 60 billion euros and around 194,000 employees (including rubber and tyre manufacturing but excluding pharmaceuticals and the transformation of plastics). The base chemicals industry is organised around 5 major platforms (the two main ones being Fos-Lavéra in the south and Le Havre-Port-Jérôme in Normandy), several of which still have significant reserves of facilities. The applied chemicals and speciality chemicals (“parachimie”) sector, with its 57,000 employees, is the second largest in Europe; strong points include the field of fine chemicals (active ingredients for the pharmaceutical industry). The major French held companies include TotalAtofina (4th worldwide for petrochemicals) and Michelin (worldwide leader in the pneumatics industry).

➤ **IN OTHER INDUSTRIES,** France also has many strong points, as can be seen from the long list of leading French companies: Saint-Gobain, world’s leading producer of glass products; Lafarge, world’s leading producer of building materials; Air Liquide, world’s leading producer of industrial gasses. France is also the 3rd leading producer of steel and the 1st leading producer of base aluminium in the European Union.

Around 2600 jobs were created by foreign investors in the chemicals-plastics sector in 2006.

➤ 2nd in Europe for chemicals and speciality chemicals

➤ 1 worldwide cluster

➤ 19,500 people employed in R&D in the chemicals sector

These base products then go on to be transformed. And here again France has much to offer. With its 171,000 employees and strong industrial districts such as Oyonnax and Alençon, the French plastics industry is one of the most important in Europe. French technical expertise is particularly recognized in fields which involve high levels of innovation, such as composite materials or technical textiles. Finally, French companies are also world leaders in the fields of energy (nuclear energy with Areva, world leader in nuclear fuels, and EDF, leading electrical supply company in the OECD), and water and waste product treatment (Suez, Veolia, Vivendi).

SOME EXAMPLES OF FOREIGN PROJECTS IN 2006

➤ **Verbund** (Austria): as part of the joint venture with the Powéo company, creation of a combined gas-turbine power station at Pont-Sur-Sambre, in the north of France (27 jobs). ➤ **Atel** (Switzerland): creation of thermal power station at Bayet in the Allier region of France (a total of 35 jobs and an investment of 240 million euros). The Swiss group has been operating in France since 2001, and holds 5% of the market for industrial electricity. ➤ **Toyo Ink** (Japan): producer of paint colour compounds, Tokyo Ink made the strategic decision to revitalize its French subsidiary Francolor, by diversifying production to include products with higher added value for the world market. This 20 M € investment will finance an extension of their production site (20 jobs) and the creation of a commercial and marketing subsidiary. ➤ **Bluestar** (China): creation of an R&D center, specializing in enzymes, within the INSA institute in Toulouse. ➤ **Sapa** (Sweden): extension of an aluminium extrusion production site in the Var region. ➤ **Mast** (Sweden): creation of a boat materials production site in the Vendée region. ➤ **Akers** (Sweden): extension of a metal working site in the Meurthe-et-Moselle region. ➤ **Silpro** (Holland): manufacture of silicon for photovoltaic cells.

TWO MAJOR STRENGTHS : SKILLED MANPOWER AND R & D

➤ **A HIGHLY QUALIFIED WORKFORCE.** As well as university and generalized courses, there are 17 specialized chemical engineering schools in France, including: ENSCPB (Bordeaux), ENSCP-ESPCI-ESCOM (Paris), CPE-ITEHC (Lyon), EGIM (Marseille), and INSA (Rouen).

➤ **A LARGE CAPACITY FOR RESEARCH AND INNOVATION.** There are, for example, 19,500 people employed in R&D activities within companies in the various chemicals, plastics and rubber sectors, which devote a total of 2 billion euros to their research activities. Several competitiveness clusters have been set up in the chemicals-plastics fields, including Exelera (chemicals – environment), Plasturgie in the Rhône-Alpes region, and MIPI (new materials) in the Lorraine region.

A COUNTRY OPEN TO INVESTORS

Foreign companies account for 55.4% of turnover in the speciality chemicals sector, 44.9% in the soaps and perfumes sector, 40% in the base chemicals sector, and 38% in the plastics sector. As well as the leading petrochemicals groups such as Shell and ExxonMobil, there are also many companies who specialize in fine and speciality chemicals, such as Rohm & Haas, Toray Soficar, Toyo Ink, TBI Synthesia, Dupont, BASF, etc. The deregulation of the French energy market has begun to raise interest, as can be seen by the launching in 2006 of various electrical power station projects (by Atel and Verbund in particular). 2006 was also a very active year for the chemicals industry (projects from Bluestar, Toyo Ink), and in the materials industry (Sapa, Oyako, Silpro, etc.).

Health biotechnologies

In these rapidly developing sectors, France offers industrials excellent conditions to locate and develop their innovative projects.

FRANCE: AN ECONOMY GEARED TOWARD INNOVATION



© Siemens AG.

The worldwide pharmaceutical market, worth an estimated 600 billion dollars, is rapidly expanding (7% annual growth rate the three last years). Innovation is essential for the survival of pharmaceutical laboratories which are faced with a reduction in the shelf life of pharmaceutical products and competition from generic drugs. For this reason, laboratories invest heavily in R&D; the average cost of developing a new pharmaceutical drug is estimated at around 800 million dollars. This is also the reason why there are large numbers of internationally mobile investment projects, which are motivated by the necessity of gaining access to the major markets, and the best technological and scientific resources. In this respect, France offers important advantages:

➤ **ACCESS TO A MAJOR MARKET.** Europe is the second biggest pharmaceutical drugs market on the planet, representing 30% of global demand. The French pharmaceutical market is the second largest in Europe, just behind Germany.

➤ **EXISTENCE OF A STRONG PHARMACEUTICAL INDUSTRY.** The pharmaceutical industry in France directly employs approximately 100,000 people, not including the medico-surgical equipment sector (45,000 employees), and the intermediate products sector (fine chemicals) and services sector (600 specialized companies). Overall, France is Europe's leading producer of pharmaceutical drugs, with almost 220 specialized industrial sites and 550 companies, including some of the

In 2005, Siemens Medical Solutions launched a partnership program with the French Atomic Energy Commission (CEA), in the field of medical imaging.

➤ Europe's leading healthcare and biotechnology industry

➤ 3 worldwide clusters

➤ 22,000 people employed in R&D

world leaders in their field (Sanofi-Aventis, ranked 3rd in this sector; Merial, Pierre Fabre, Servier, Beaufour, etc.).

➤ **AN ACTIVE BIOTECHNOLOGIES SECTOR.** In 2005, there were 400 companies in this sector, employing around 20,000 people (3rd in Europe after the United Kingdom and Germany). These include world leaders such as BioAlliance, Pharma, Diatos, ExonHit, Nicox, Nonobiotix, but also smaller highly innovative structures. All these companies have created numerous links with international groups.

➤ **AN IMPORTANT CAPACITY FOR GLOBAL RESEARCH.** The pharmaceutical sector, which employs 22 000 research scientists and technicians within companies, is France's second leading investor in research and development, after the automotive industry. The private sector is backed up by important public research institutes such as the CNRS, INSERM, CEA, Institut Pasteur, and the Institut Pierre et Marie Curie, whose total research budget is approximately 2.3 billion euros. Since the time of Pasteur, the practice of transferring technology from research to industry has been a tradition in France.

➤ **OPPORTUNITIES FOR WORKING IN PARTNERSHIP WITH OTHER SECTORS.** Such as the agro-food industry or the cosmetics industry, in order to develop new types of health products: food-medicines, derma-cosmetics...

All this makes France a highly attractive location for pharmaceutical investment projects. Over the past 10 years, international projects have created more than 12,000 jobs in the pharmaceutical drugs sector alone. Many foreign companies have already chosen to locate their business in France, including: Sankyo, Takeda, AstraZeneca, Baxter, Chugai, Boehringer-Ingelheim, GSK, Johnson & Johnson, Lily MSD, Merck AG, Novartis, Novo-Nordisk, BSQ, Pfizer, Roche, Serono, and Schering Plough. These companies account for 51% of turnover in the pharmaceutical industry, a figure which reaches 69% in the medical equipment sector.

This high level of attractiveness was confirmed in 2006, particularly with the major GSK investment project near Valenciennes. Other investments were made by Novartis, Boehringer, Merz, and by Elektra in the medical equipment sector. In 2006, these investments led to more than 1,500 jobs being created in the bio-pharmaceutical industry.

EXAMPLES OF PROJECTS ANNOUNCED IN FRANCE IN 2006

PHARMACEUTICAL AND DRUGS

➤ **GSK** (UK) is extending its pharmaceutical production site at Evreux (200 jobs) ➤ **Merz** (Ger) is setting up a new production site in the Ile-de-France region (100 jobs) ➤ **Boehringer** (Ger) is creating 68 jobs at its site at Rheims ➤ **Novartis** is extending its Huningue site in the Alsace region (50 jobs) ➤ **Elekta** (Swe) is extending its medical instruments activity at its Paris site (40 jobs).

COSMETICS

➤ **Shiseido**, the leading Japanese cosmetics firm, is to increase its R&D team in Paris (15 people), confirming France as central to the company's innovation strategy ➤ **Kanebo**, the second leading Japanese cosmetics firm, is bringing together its commercial subsidiary and R&D team at new premises in Paris. This new structure (creating 20 jobs) will also involve the transfer of its marketing team that was previously located in Zurich.

Information and communications technologies

With its international clusters specialized in microelectronics, software and telecommunications technology, France offers excellent business opportunities for international companies.

The ITC industries cover a vast domain, which includes the electronics, information technology and telecommunications sectors and covers hardware, software and services. Several positive trends contribute to the vibrancy of foreign investment flows into these activities: rapid market growth linked to the constant appearance of new products and applications; technological convergence accompanied by constant restructuring within the sector; the necessity for firms to become internationalized in order to finance their enormous R&D investments. In Europe alone, over 700 internationally

FRANCE: AN ECONOMY GEARED TOWARD INNOVATION



© Rayman 4, Ubisoft

mobile projects (not including acquisitions) were recorded each year between 2002 and 2005. France offers major advantages to attract these projects:

➤ **A SOUND INDUSTRIAL FOUNDATION.** Particularly in the electronic components and communications equipment sectors, which employ 60,000 and 54,000 people respectively, which makes France one of the biggest ITC industry in Europe. French companies which are leaders in their field worldwide include: Thomson Multimédia (MPEG mp3), Alcatel, France Télécom, Gemplus, STMicroelectronics, Sagem, etc.

Ubisoft, the French company specialized in video games enjoys a worldwide reputation.

➤ 45,000 research scientists working in telecommunications

➤ 5 worldwide clusters

➤ 2nd leading country in Europe for IT qualifications

➤ **REAL EXPERTISE IN SOFTWARE AND IT SERVICES.** In France, this sector employs 321 000 people and has a turnover of more than 40 billion euros. Major fields in which the French excel include : CAD/CAM (Dassault Systèmes Lectra), e-trading (GL Trade), natural language processing (Itesoftware, AZIa software components), decision support (Business Objects), management software (Adonix...), software for consumer products (Thomson), special effects and video games (Infogrammes, Ubisoft, Visgames).

➤ **A LARGE POOL OF QUALIFIED PERSONNEL.** France is the 2nd leading country in Europe in terms of the number of people holding ITC qualifications. France boasts a strong network of first class higher education teaching establishments: Supelec, Ecole natio-

nale supérieure des télécommunications (National higher school of telecommunications studies) in Paris and Brittany, and the Institut national des télécommunications (National institute of telecommunications studies). Overall, these schools offer around forty different top level academic courses.

➤ **A HIGH CAPACITY FOR INNOVATION.** With, for example, 45,000 researchers working in ITC (particularly at France Télécom and in major public sector laboratories: GET, INRIA, CEA, CNRS), and major roles in several key innovations: ATM, GSM, UMTS, turbo codes for signal transmission.

These strengths have enabled France to attract an important flow of foreign investment projects, which have led to around 6,500 jobs being created annually for the past 10 years. Most of the top international groups in this sector have set up major operations in France. Foreign companies doing business in France include: Motorola, LG Electronics in the telecommunications equipment sector; Atmel, IBM, NXP, Freescale in the electronic components sector, where foreign companies account for 71.5% of total turnover in the French industry.

Foreign investors are very present in R&D activities, and often with French partners. Microsoft, for example, has created a research laboratory with the French INRIA institute, to work on scientific computations; Hitachi is working with the INRIA institute and Eurocom, to develop 4th generation communications systems (IP, WIFI technology); Motorola has had its telecommunications center for excellence set up in Toulouse since 1967 (GSM, GPRS, UMTS); and LG Electronics has set up its European R&D center for mobile phone technology in Paris.

EXAMPLES OF INTERNATIONAL ITC PROJECTS IN FRANCE

➤ **Icera (UK)** is expanding its research facility in France. After setting up an R&D center in Sophia-Antipolis, the British company Icera Semiconductors, one of the leading designers and manufacturers worldwide of electronic components for wireless applications, confirmed the launch of a second R&D program at Sophia-Antipolis, which will lead to a further 50 qualified jobs. This program was originally supposed to be located at the company's other R&D site at Bristol (England), but is finally being located in France.

➤ **Google (US)** is expanding in Paris, increasing personnel from 40 to 100.

➤ **Motorola (USA)** is taking over the Mitsubishi i-mode development center at Rennes.

Logistics

Geographical situation, high quality infrastructure and skilled manpower, availability of logistics facilities: these are all advantages that explain why logistics investment projects are attracted to France.

Globalization involves increasingly complex and extensive production and distribution networks being set up, which handle an ever-increasing volume of products. Being able to transport products in a reliable but cost-effective way has become the key to competitiveness for most businesses. Logistics activities are therefore becoming increasingly important to businesses, whether they are managed in-house by the company itself, or – as is increasingly the case – outsourced to specialized service providers. Overall, this activity represents

FRANCE: AN ECONOMY GEARED TOWARD INNOVATION



IKEA Systems B.V. 2007

5 million jobs in Europe; but it also represents nearly 200 internationally mobile investment projects each year, searching for the right location on the continent. France offers many advantages to attract these investment projects:

➤ **EXCEPTIONAL GEOGRAPHICAL LOCATION.** France borders six European countries, and is situated at the crossroads of Europe's north-south and east-west transport routes, and is located at the heart of the European economy. In a 2 000 km radius around Paris, approximately 600 million consumers – the largest market in the world – are accessible in less than 48 hours. France therefore provides a natural platform for international transport activities, and the country also offers a sound industrial foundation and access to a prime market (2nd biggest economy in Europe).

➤ **HIGH QUALITY LOCAL INFRASTRUCTURE AND LOGISTICS FACILITIES.** France boasts an 11,000 km motorway network; the most extensive high speed rail network in Europe; 190 airports – 6 of which are international – and a worldwide air transport hub (Paris alone handles 20% of total European passenger transport); and finally several major maritime ports (including Marseille, which is the leading port in the Mediterranean,

In 2006, Ikea created 1,500 new jobs in France.

➤ Access to 600 million consumers in less than 48 hours

➤ More than 10,000 km of motorway network

➤ 6 international airports, including a worldwide air transport hub

and Le Havre which is Europe's 5th biggest container port). Our country offers a supply of commercial and real estate properties which are extremely cost-effective, located at its numerous multi-transport platforms. The Paris area alone for example, offers a total of 20 million square meters of existing warehouse facilities, with rental prices over three times less than in London.

➤ **A MODERN AND EFFICIENT LOGISTICS SERVICES INDUSTRY.** This is based around specialized firms which are recognised around the world, such as Gefco, Norbert Dentressangle, FM logistics, CAT, and STEF-TFE. There are approximately 800 000 people currently working in logistics activities in France, including in-house logistics activities in industrial and distribution companies.

➤ **A FAVORABLE REGULATORY AND ADMINISTRATIVE ENVIRONMENT:** free consulting services provided by the Customs and Excise service in 40 different information centers, computerized customs clearance procedures that are compatible with 22 other European countries, fast-track and personalized customs procedures.

➤ **AN ONGOING DRIVE FOR EFFICIENCY AND INNOVATION.** This policy was, for example, the driving force behind the designation in 2005 of the "Logistique Seine-Normandie" logistics cluster, which aims to make the Rouen-Le Havre transport axis the most efficient multi-transport platform in Europe; also the I-trans cluster, in the Nord-Pas-de-Calais region, which aims to develop efficient transport systems by integrating the concept of multi-transport, particularly within the railway network.

These are the reasons why international logistics firms make France one of their top investment destinations in Europe, creating an average of 2,500 jobs each year, for the past 10 years. For example, at its distribution hub located at Roissy (77 000 m²), Fedex handles 750 tons of deliveries to 215 different countries. The group has just announced a new extension program for 2007, which will eventually create another 300 jobs. Daimler Chrysler has located its European parts distribution center at Valenciennes. Many other companies announced investment projects in 2006, such as Riechhart at Maubeuge or Lee Cooper at Amiens.

SOME EXAMPLES OF INTERNATIONAL LOGISTICS INVESTMENT PROJECTS IN 2006

- The Germany company **Reichhart** is setting up a new logistics site close to Maubeuge, which will be linked to the finishing activity of the new exhausts for the Renault Kangoo (32 jobs).
- The British company **Lee Cooper**, in an effort to restructure its activity and improve the efficiency of its logistics chain in Europe, has decided to set up a European distribution center and client service center at Amiens, to replace its 3 existing warehouse facilities in Great Britain, Switzerland and France. The existing French site was therefore maintained, and an extra 20 jobs will be created.
- The Swiss company **Kuehne & Nagel** is setting up a logistics platform at Port-Saint-Louis-du-Rhône (200 jobs).
- The US company **Fedex** is continuing extension of its distribution hub at Roissy, with an extra 300 jobs being created by 2007.

Reforms to improve the attractiveness of France

Improving the attractiveness of France for international investors is a priority for the French Government. Efforts have led firstly to the setting up of official structures whose mission is to advise and propose, and secondly to the adoption of specific measures.

Reflection on the attractiveness of France is based on discussions and the exchange of ideas within specific structures: the “Strategic Council for Attractiveness” (meetings between the CEOs of foreign companies and the French Prime Minister), interministerial working groups, and the “Win in France” think tank. The IFA adds to this discussion by proposing legal and tax initiatives, which are a reflection of its contact with foreign businesses operating in France.

Other more specialized organisations also participate in this discussion regarding their specialist subjects, these include: the CSIS (Strategic Council for the Healthcare Industries), CSTI (Strategic Council for IT); CICI (Interministerial Council for Immigration Control); National Council for the Development of International Student Mobility, etc.

Three Government seminars on the attractiveness of France have already taken place to discuss this work (December 2003, February 2005, May 2006).

SPECIFIC ACTION

This effort has led to a “government program in favor of the attractiveness of France”, whose initial measures were announced on 11 December 2003. This program has three main objectives: attract international capital (productive and financial), attract international talent (management staff, students and research scientists), and attract strategic international business activities (research centers, headquarters, etc.). It is part of a larger political program to improve the business environment for companies operating in France (law on the economic initiative, plan for innovation and research, relaxing of regulations regarding the French working week, changes in collective redundancy procedures, and structural reform of the retirement and social security systems).

Within this program, around one hundred measures which immediately concern the attractiveness of France have already been adopted, including: tax, legal security for investors, catering for foreign talent, and support for foreign companies locating to France. At the same time, there is an ongoing drive to rationalise administrative structures, simplify procedures and improve public services in France.

➤ 130 measures in favor of the economic attractiveness of France since 2003

EXAMPLES OF SPECIFIC MEASURES TO ENHANCE THE ATTRACTIVENESS OF FRANCE

1. TAX

➤ Tax relief for businesses.

Capping of the French business tax at 3.5% of added value; reform of the research tax credit (tax assessments now calculated on the basis of actual expenditure and not simply increases therein); extension of favorable tax rates for company headquarters to R&D centers; generalized application of the “rescrit” advance ruling procedure to all tax and social security contributions; capping of transfer tax at 3.5%.

➤ Tax relief for individuals.

Introduction of taxation proportionate to the time actually spent working in France; income tax exemption for expatriate premiums during 5 years; elimination of double-taxing for stock-options acquired before entry into France; 40% ceiling for maximum marginal income tax rate; tax shield limiting total amount of direct tax to 60% of income; progressive withdrawal of capital gains tax.

➤ Improvement in tax advice for individuals.

Creation of an information service with English-speaking contacts, and the possibility of “rescrit” advanced-ruling procedures; simplification of tax formalities for the return of non-residents; setting up of a remote tax office to specifically deal with foreign tax-payer queries.

2. IMPROVING THE BUSINESS ENVIRONMENT

➤ Improvement in the regulatory environment for investments.

Simplification of regulations concerning foreign investments; reform of regulations concerning unreasonable financial support, in order to enhance legal security for financiers; introduction of the “société unipersonnelle d’investissement à risque” (business angels); introduction of the “trust” into

the French legal system, in order create asset bases for specific business operations; improvement of information for investors, in order to facilitate timely support for ailing businesses; introduction of the notion of a “European company” into the French legal system.

➤ Relaxation of regulatory constraints.

Relaxation of legislation regarding the 35 hour working week; introduction of more flexible work contracts (e.g. CNE – new recruitment contract); acceleration of import/export procedures; acceleration of procedures for property registration in France.

3. ATTRACTING INTERNATIONAL TALENT

➤ **Students.** Restructuring of the French further education system to implement the Degree/Masters/Doctorate hierarchy (LMD) which is recognised throughout Europe; development of teaching programs and courses in foreign languages; improvement in administrative procedures to attract top level students; introduction of a “competences et talents” residence permit for highly qualified internationals; relaxation of regulations concerning access to the labor market for foreign students with the highest potential.

➤ **Research scientists.** “Chaires d’excellence” program run by the National Agency for Research (ANR); development of programs to encourage mobility among young French and international research scientists (“Hubert Curien” partnerships); personalized support for top world-class scientists (“scientific visa”).

➤ **Personnel.** Simplification of administrative procedures for the relocation of executives and management personnel and their families (e.g. phasing out of trade cards, setting up of a single office to deal with work permit authorisations).

The IFA: mission statement, objectives and methods

- 46 Prospecting and communicating in favor of France
- 48 IFA's international network
- 50 Providing a quality service for international businesses

Prospecting and communicating in favor of France

THE IFA: MISSION STATEMENT, OBJECTIVES AND METHODS

The IFA has three main priority objectives: detect new investment projects, establish long-term confidence-based relations with international investors, and improve the image of France.

PROSPECTING FOR INVESTMENT PROJECTS

is a major part of the IFA mission. Several different methods are used: organization of “road shows” and business seminars, contact by post or email, welcoming of international economic relations missions in France, and above all personal meetings with heads of business. The Agency has also set up friendly information services (websites) whose aim is to encourage businesses to contact our teams.

Once the projects have been detected, the information is sent to our regional partners to enable them to prepare a proposal, which is then transmitted to the investor via the COSPE procedure. The IFA, alongside the various partners involved, participates in the negotiation process to convince the company to choose France as its business location.

PROMOTIONAL activities aim to replace preconceived ideas of France as complex and overly administrative, with the image of France as a welcoming and efficient country. For the past three years, the IFA has been working to change the attitudes of target investors with regard to France. Facts and figures in favor of France, brochures, specific sector reporting, testimonials, and examples of success stories, are systematically translated into five different languages and distributed through IFA offices, Embassies, economic relations sections, and through other French networks such as foreign trade consultants and chambers of commerce...

Broadening the spectrum of the information that is communicated, and further improving the structure and integration of statements, in order to achieve a higher number of investment projects, remain IFA objectives for 2007.

SOME IFA FIGURES

- **Status.** Public industrial and commercial body established under the New Economic Measures Law of 15 May 2001.
- **Funding.** 22.2 million euros in 2007.
- **Manpower.** 139 full-time employees as at 31 December 2006, 72 of which are based abroad.
- **Common objective.** Make France Europe’s leading destination for international investment projects by 2009.

IFA action related to mergers and acquisitions

Internationalization and the growing number of foreign businesses in France are not only the result of physical investment projects, but also acquisitions of existing businesses and mergers with local companies. This type of investment is very important for the French economy. The acquisition of an existing company allows businesses that are under threat to be maintained (succession, financial difficulties, etc.). Mergers enable some French companies to break into and compete in the international market; they facilitate the

transfer of technology and expertise, and are often the first step towards physical development projects on French territory. The IFA then has tried to set up specific intervention procedures in these different areas.

These procedures currently work on the basis of a case by case response to the requirements of the foreign investing company. Once these have been detected by an IFA office, the information goes through the COSPE procedure and is passed down to various regional

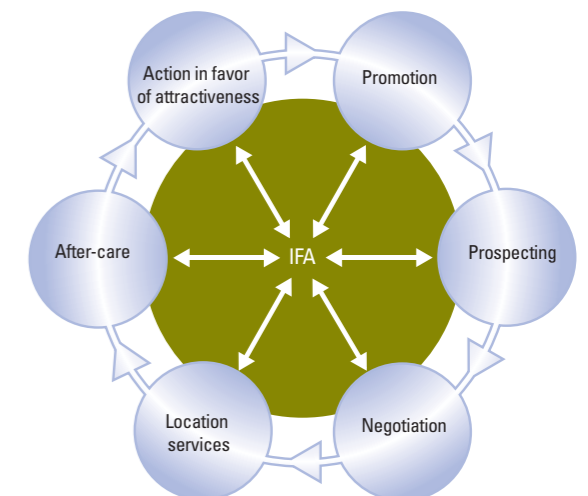
partners, who then try to identify companies that are experiencing difficulties (for acquisitions purposes) or that might welcome the offer of a partnership.

Examples of this type of transaction in 2006 include: the takeover by the US company Silver Point of the CF Gomma automotive parts manufacturing plant at Rennes (1 650 jobs maintained); the takeover by the Chinese company Bluestar of the pet food company Adisseo (1 014 jobs maintained).

PUBLIC RELATIONS activities are situated somewhere in between the two preceding categories, and aim to develop long-term relations with investors and opinion leaders. In 2006, the IFA launched a structured public relations effort targeting decision-makers and opinion leaders, which consisted of in consolidating publicity efforts or tailor-made events based on communication of the latest information with high added value: program including Think Tank, specialized reports, barometer to measure the image of France among foreign decision-makers and the launch of a quarterly magazine “Invest in France”.

The IFA is constantly trying to improve its methods in these areas. In terms of prospecting for investment projects for example, particular efforts will be made in 2007 within companies that are not yet familiar with our country, with the creation of a list of priority target companies that do not yet have business interests in France. The “investment project chain” will be the object of several measures that aim to improve the quality of our service: increased selectiveness of files transmitted to the COSPE,

The six objectives of the IFA: The commercial cycle



reinforcement of the alert and information procedures concerning new investment projects and the creation of a quality control system to analyze our procedures (client satisfaction enquiries addressed to client businesses).

With 72 colleagues working abroad, in 21 different offices, the IFA is established in most of the major economic capitals worldwide. In several other cities or countries, French economic relations sections play an active role in contacting firms that are potential investors in France.

IFA's international network



IFA offices around the world

EUROPE

IFA FRANCE

Paris
77 bd Saint-Jacques
75680 Paris cedex 14
Tel: +33 1 44 87 17 17
Fax: +33 1 40 74 73 27
Email: info@investinfrance.org
www.investinfrance.org/France

IFA GERMANIC COUNTRIES

Frankfurt
Invest in France Agency
Französisches Generalkonsulat
Zeppelinallee 35
60325 Frankfurt am Main
Germany
Tel. +49 69 79509670
Fax +49 69 79509669
Email: germany@investinfrance.org
www.investinfrance.org/Germany

Düsseldorf
Invest in France Agency
Französische Botschaft
Wirtschafts- und Handelsabteilung
Königsallee 55,
D - 40212 Düsseldorf
Germany
Tel. +49 211 86 81 655
Fax : +49 211 86 81 656
Email: germany@investinfrance.org
www.investinfrance.org/Germany

Zurich
Invest in France Agency
Zeltweg 48 - Postfach
1560
CH - 8032 Zurich
Switzerland
Tel. : +41 1 261 45 00
Fax : +41 1 261 45 05
Email: switzerland@investinfrance.org
www.investinfrance.org/Switzerland

IFA BENELUX

Brussels
Invest in France Agency
475 Avenue Louise
B-1050 Brussels
Belgium
Tel. : +32 2 646 59 40
Fax : +32 2 646 60 90
Email: benelux@investinfrance.org
www.investinfrance.org/Benelux

Amsterdam
Invest in France Agency
Wibautstraat, 129
NL-1091 GL Amsterdam
Netherlands
Tel. : +31 20 662 20 39
Fax : 31 20 662 08 31
Email: benelux@investinfrance.org
www.investinfrance.org/Benelux

IFA SPAIN

Madrid
Invest in France Agency
Marqués de la Enseñada
10
4e planta
E - 28006 Madrid
Spain
Tel. : +34 918 377 850
Fax : +34 918 377 851
Email: spain@investinfrance.org
www.investinfrance.org/Spain

Barcelona
Invest in France Agency
Avenida Sarriá 102
Edificio Sarriá Forum
11e planta
E - 08017 Barcelona
Spain
Tel: +34 93 205 18 90
Fax: +34 93 205 18 90
Email: spain@investinfrance.org
www.investinfrance.org/Spain

IFA ITALY

Milan
Invest in France Agency
Via Cusani, 10
I - 20121 Milan
Italy
Tel. : +39 02 72 02 25 43
Fax : +39 02 87 66 12
Email: italy@investinfrance.org
www.investinfrance.org/Italy

IFA LONDON

London
Invest in France Agency
21 Grosvenor Place
SW1X 7HU - London
Great Britain
Tel. : +44 20 7823 09 00
Fax : +44 20 7235 8453
Email: london@investinfrance.org
www.investinfrance.org/uk

IFA SCANDINAVIA

Stockholm
Invest in France Agency
Kungsgatan, 58
S-11122 Stockholm
Sweden
Tel. : +46 8 545 850 40
Fax : +46 8 662 59 69
Email: nordics-countries@investinfrance.org
www.investinfrance.org/NordicCountries

ASIA

IFA CHINA

Shanghai
Invest in France Agency
Suite 202, Hai Tong
Securities Bldg N.689,
Guangdong Lu,
Shanghai 200021
China
Tel: +86 21 61 35 20 42
Fax: +86 21 63 41 12 06
Email: china@investinfrance.org
www.investinfrance.org/China

Hong Kong
Mission économique de l'Ambassade de France
Admiralty Center,
Tower II, 25 th Fl
18 Harcourt Rd
GPO Box n° 2421
Hong Kong
China
Tel: +852 2158 3761
Fax: +852 2158 3804
Email: hongkong@investinfrance.org
www.investinfrance.org/China

IFA TAIPEI

Taipei
Mission économique de l'Ambassade de France
Bank Tower #1401,
No 205 TunHwa North Rd.
Po-Box 118-1361
105 Taipei
Tel: +886 2 2713 3552
Fax: +886 2 2717 1353
Email: taiwan@investinfrance.org
www.investinfrance.org/Taiwan

IFA KOREA

Seoul
Mission économique de l'Ambassade de France
Samheug Bldg, 8th Fl
705-9 Yeoksam - Dong,
Kangnam-Ku
135-711 Seoul - Korea
Tel. : +822 564 0419
Fax : +822 3452 9025
Email: korea@investinfrance.org
www.investinfrance.org/Korea

IFA JAPAN

Tokyo
Until 1st May 2007 :
Mission économique de l'Ambassade de France
Hanazono-koen bldg 4F
1-20-13 Shinjuku,
Shinjuku-ku
Tokyo 160-0022
Tel: +81 3 3355 5900
Fax: +81 3 3355 5930
Email: japan@investinfrance.org
www.investinfrance.org/Japan

As of 1st May 2007 :
Invest in France Agency
Masonic 39 Mori Trust
Bldg. 12F
2-4-5 Azabudai,
Minato-ku,
Tokyo 106-0041
Email: japan@investinfrance.org
www.investinfrance.org/Japan

Nagoya
Mission économique de l'Ambassade de France
Nagoya Daiya Bldg,
No. 1 6F
3-16-22 Meieki,
Nakamura-ku
Nagoya-shi,
Aichi 450-0002
Tel: +81 52 582 0559
Fax: +81 52 582 0560
Email: japan@investinfrance.org
www.investinfrance.org/Japan

IFA INDIA

New Delhi
Mission économique de l'Ambassade de France
2/50 E Shantipath
Chanakyapuri
110 021 New Delhi
Tel: +91 11 2419 6300
Fax: +91 11 2419 6309
Email: india@investinfrance.org
www.investinfrance.org/India

NORTH AMERICA

IFA NORTH AMERICA

New York
Invest in France Agency
810 Seventh Avenue
Suite 3800
New York, NY 10019
Tel: +1 212 757 9340
Fax: +1 212 245 1568
Email: us@investinfrance.org
www.investinfrance.org/NorthAmerica

Chicago
Invest in France Agency
205 North Michigan Avenue
Suite 3750
Chicago IL 60601
USA
Tel. : +1 312 628 1054
Fax : +1 312 628 1033
Email: us@investinfrance.org
www.investinfrance.org/NorthAmerica

San Francisco
Invest in France Agency
88 Kearny Street
suite 700
San Francisco, CA 94108
Tel: +1 415 781 0986
Fax: +1 415 781 0987
Email: us@investinfrance.org
www.investinfrance.org/NorthAmerica

Toronto
Invest in France Agency
Mission économique de l'Ambassade de France
20 Queen Street West
Suite 2004
Toronto - ON M5H 3R3
Canada
Tel. : +1 416 977 12 57
Fax : +1 416 977 79 44
Email: canada@investinfrance.org
http://www.investinfrance.org/NorthAmerica

Providing a quality service for international businesses

THE IFA: MISSION STATEMENT, OBJECTIVES AND METHODS

The quality of the service provided to businesses is one of the keys to the success of foreign investment projects in France. The IFA works to ensure quality service at every stage of the investment process.

The IFA and its regional partners provide foreign companies with a quality service at every stage of the process to set up and develop their business in France:

➤ **DURING NEGOTIATIONS LEADING UP TO THE INVESTMENT DECISION**, the IFA provides the investing company with all the information required to make its decision: general information on the country, location solutions that are best adapted to the company's needs, detailed information on regional proposals, visits to sites, information and negotiation of available financial support, etc.

➤ **DURING THE SET UP PROCESS**, the IFA acts as a facilitator to ensure the initial success of the investment project (advice and information regarding the details of the local economic and regulatory environment); it acts as intermediary in contact with the French administration (single office for taxation issues, labor law and business law, customs procedures, building permits, public financial support, etc.); it provides assistance in relocating expatriate personnel (visa formalities, housing, schooling for children, employment opportunities for partners, advice on social security and tax issues).

➤ **ONCE THE DEVELOPMENT PROJECT IS OPERATIONAL**, the IFA provides a follow-up service that is designed to anticipate and resolve any difficulties, ensure investor satisfaction, detect any new projects and facilitate their location in France. This after-care service is now considered as one of the main priorities of the Invest in France Agency.

A wide network of partners

Attracting foreign investment involves a wide range of partners: national and regional development agencies, business associations and chambers of commerce, stock broker companies, structures responsible for clusters and firms interested in the prospect of new clients. Several public administrations also form an integral part of this policy: the DIACT and its "economic changes" office, the Ministry of Economy, Finance and Industry (DGTPE, DGE), as well as the Ubifrance network and economic relations sections.

Coordination between the different actions carried out by these various organizations is extremely important. The IFA tries to ensure this by setting up various networks to coordinate these different partners.

Development of an after-care service

It is not enough to attract foreign investors to our country. We must also be able to keep them here. The crucial importance of this can be seen firstly in the current debate on de-localization and secondly the fact that, over the past three years, extensions of existing sites have created almost the same number of jobs as the creation of new sites. This after-care service has several forms:

➤ Maintaining contact between the IFA agency and the investing company in

order to determine whether the company is satisfied with its location, detect any possible problems, or ascertain the possibility of any new development projects. This is the purpose of the IFA "strategic accounts" program, which was set up three years ago, and whose objectives were recently broadened. These businesses receive two visits per year: one visit to their development site in France and the other visit in their home country.

➤ Maintaining collective links with foreign business networks set up in France: collaboration

with international chambers of commerce, foreign business clubs set up in France, such as the IFA "Japan club".

➤ Intervening rapidly at the request of businesses, in order to assist them in the event of a specific difficulty, particularly during contacts with the French administrative services.

➤ Taking action to facilitate the integration of foreign businesses into the fabric of the local economy, particularly through the mobilization of potential partners, sub-contractors and suppliers.

IFA and regional partner assistance at different stages of the investment project

Stage of project	Company needs	Type of assistance
Definition of project characteristics	Identify major geographical zones where the project is likely to be set up.	General promotion, presentation of the country (to imprint it on the visual map of the investor).
Drawing up the long list	Limit possible geographical zones to around fifteen countries or regions.	Provide detailed information on regional proposals (cost, quality, accessibility) to show that they are credible potential locations.
Drawing up the short list	Select several candidates as potential investment locations.	Provide detailed information on available locations; transmit regional proposals to the company.
Final choice of site location	Identify the location that presents the best cost/quality/reliability ratio.	Organize site visits, meetings with investors already operating at the site, detailed negotiations, proposals concerning tax relief and public financial aid.
Setting up the development project	Resolve technical and administrative problems arising from the site construction and operation.	Provide a single office for administrative formalities, contact with local partners (suppliers, employees), personal assistance for expatriate executive personnel, etc.



appendix

International economic context

- 54 2006: the continuation of positive trends in international investment

Statistical methods used in the IFA Review

- 58 Monitoring the flow of foreign direct investment in France
- 60 Indicators
- 62 Diversity of statistical sources related to foreign investment in France



2006: the continuation of positive trends in international investment

2006 saw further increases in international investment flows, according to all the indicators: “FDI” statistics compiled from balances of payments, international mergers and acquisitions, greenfield projects and the numbers of jobs created abroad.

A FAVORABLE ECONOMIC ENVIRONMENT

This positive trend is due to the combined effects of several different factors that are favorable to investment:

- **A positive macroeconomic trend**, with sustained levels of global economic growth for the 4th year running (+5.1% in 2006 according to the IMF). This level of growth, which mainly results from dynamic business activity in developing countries (7.3%), also benefited from positive trends in industrialized countries (+3.1%), despite the decline in US growth rates for the second half of the year.

- **Favorable financial conditions**: reestablishment of margins and increases in profits (particularly in the euro zone); low rates of interest (despite a tightening of US monetary policy towards the end of the year); wealth of cash flow availability.

A SUSTAINED INVESTMENT EFFORT

These factors have favored the continued investment effort on the part of businesses, in both their internal and external growth operations. The level of physical investments continued to rise in 2006 at a sustained rate: +4.1% in industrialized countries, compared with 4.9% in 2005. Acquisitions and mergers, which have been bolstered by increases in industrial restructuring (for example in the energy and telecom sectors) and the increase in market capitalisation, reached record levels: 3 610 billion dollars according to data published by Thomson Financial at the end of December 2006.

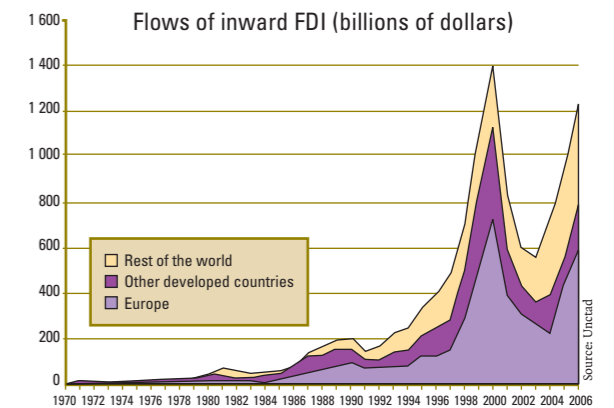
Moreover, several specific factors have played a role in the development of international investment flows: continuation of the movement towards opening up national economies to foreign firms; increasingly strong multinationals from emerg-

ing countries; rapid development on an international scale of new sectors (biotechnologies, environment), increasingly important role of new forms of investment (private equity, hedge funds, pension funds). Consequently, all the various indicators show a significant increase in international investment transactions.

FURTHER INCREASES IN FOREIGN DIRECT INVESTMENT FLOWS

The flows of FDI (Foreign direct investment) continued and even showed increases in the rates observed over the past three years, reaching 1 230 billion dollars. Flows have reached levels similar to all time highs observed in the year 2000 (i.e. 1 600 billion dollars), prior to the declines in 2001 and 2002.

In terms of destination, the US and Western Europe in particular show the highest levels of increase in foreign direct investment flows (+78 and +123 billion dollars respectively), mainly due to record levels of mergers and acquisitions.



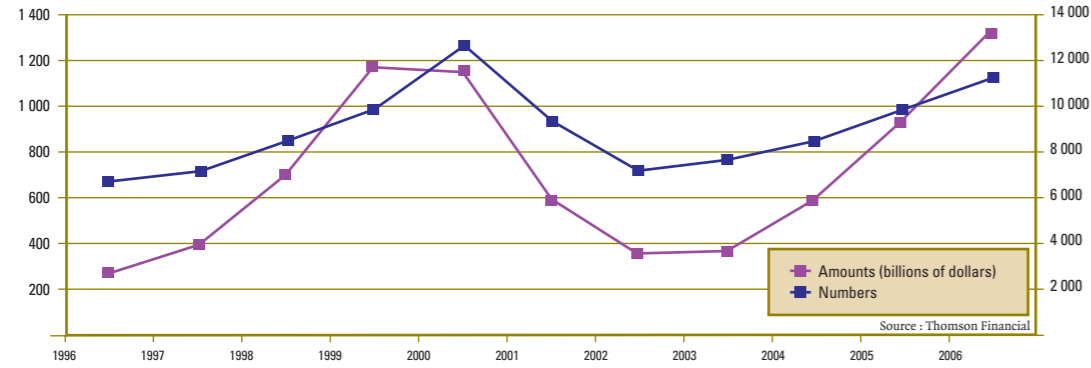
Increases in investment flows in developing economies are more modest (+10%). Inward investment flows into Asia showed a slight increase - on a level that was already high - as was the case for emerging Eastern European and African countries. Flows significantly increased in ex-CEI countries and Turkey. However, investment flows into Latin America declined, perhaps due to a political climate that less favorable to foreign investment.

Flows of inward FDI by host region (billions of dollars)

Host region/country	2004	2005	2006 ^a	Growth rate 2006/2005 (%)
World	710.8	916.3	1 230.4	34.3
Developed economies	396.1	542.3	800.7	47.7
Europe	217.7	433.6	589.8	36.0
European Union	213.7	421.9	549.0	30.1
UE-15	185.2	387.9	510.7	31.7
10 new member states	28.5	34.0	38.4	12.8
United States	122.4	99.4	177.3	78.2
Japan	7.8	2.8	- 8.2	- 395.5
Developing countries	275.0	334.3	367.7	10.0
Africa	17.2	30.7	38.8	26.5
Latin America, Caribbean	100.5	103.7	99.0	- 4.5
Asia, Oceania	157.3	200.0	229.9	15.0
Western Asia	18.6	34.5	43.3	25.5
South, East and South-east Asia	138.0	165.1	186.7	13.1
China	60.6	72.4	70.0	- 3.3
Hong Kong, China	34.0	35.9	41.4	15.4
Singapore	14.8	20.1	31.9	58.8
Southern Europe and ex-CEI	39.6	39.7	62.0	56.2

^a: provisional estimates

Evolution of international mergers and acquisitions since 1996



Main international acquisition transactions initiated in 2006

Amount of the transaction (billions of dollars)	Name of target company	Sector of target company	Nationality of target company	Name of purchasing company	Sector of purchasing company	Nationality of purchasing company
71.4	Endesa SA	Electricity, Gas and Water	Spain	E ON AG	Electricity, Gas and Water	Germany
39.5	Arcelor SA	Metals and metal products	Luxembourg	Mittal Steel Co NV	Metals and metal products	Holland
30.2	BAA PLC	Air and maritime transport	United Kingdom	Grupo Ferrovial SA Caisse de Depot et Placement GIC Special Invest Pte Ltd	Diverse	Spain
26.6	Scottish Power PLC	Electricity, Gas and Water	United Kingdom	Iberdrola SA	Electricity, Gas and Water	Spain
18.8	Gallaher Group PLC	Tobacco	United Kingdom	JTI (UK) Management Ltd	Diverse	United Kingdom
18.2	Falconbridge Ltd	Mining	Canada	Xstrata PLC	Mining	Switzerland
18.0	Inco Ltd	Mining	Canada	Cia Vale do Rio Doce SA	Mining	Brazil
15.5	BOC Group PLC	Chemicals and speciality chemicals	United Kingdom	Linde AG	Machinery	Germany
14.7	Lucent Technologies Inc	Communications equipment	United States	Alcatel SA	Communications equipment	France
14.6	Scania AB	Transport equipment	Sweden	MAN AG	Transport equipment	Germany

N.B.: Some of these transactions are still being finalized.

RECORD LEVELS OF INTERNATIONAL MERGERS AND ACQUISITIONS

This increase in FDI flows can itself be largely explained by increases in the numbers of international mergers and acquisitions, which reached the record level of 1 314 billion dollars. There is a heavy concentration of transactions in two particular regions: Europe and the United States, where acquisitions of local companies by non-residents reached the record levels of 744.4 and 215.2 billion dollars respectively.

Sectors that experienced the highest levels of transactions in 2006 included: the energy industry (electricity in particular), metals, raw materials, chemicals, transport, communications and transport equipment.

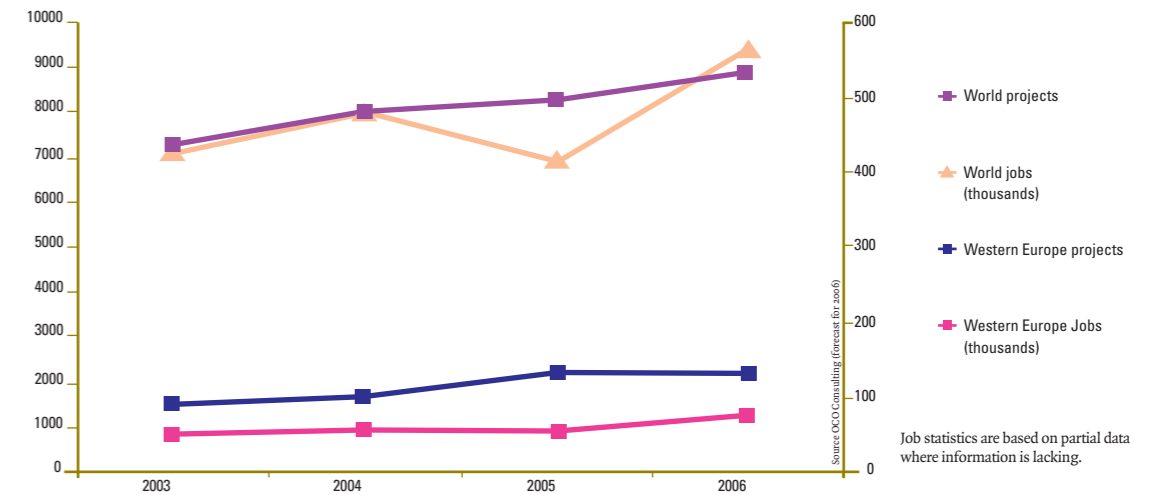
There was also a significant increase in the other component of international investment flows: physical projects also known as “greenfield” projects. The number of internationally mobile greenfield

projects announced around the world could number 9,000 for 2006, which is an increase of 7.3% compared to 2005. The increase in the number of jobs created could be even higher (+34.6%), and reach a record level of 566,000.

The IT sector (including electronics) and financial services sectors both experienced particularly high levels of increase. In terms of nature of business activity, the large increase in numbers of projects in the “business services” sector (logistics, distribution, call centers and R&D) is in contrast to the more modest increase in the numbers of production facilities.

These positive trends have been beneficial to Western Europe in particular, where job creation linked to greenfield projects increased by almost 35% in 2006, despite ever strong competition from emerging countries in Asia and transitional East European countries. The size of the European market and the attractiveness of Europe for high added value activities that require highly qualified manpower explain this strong performance.

Number of international greenfield projects and related jobs created in the world and in Europe



Job statistics are based on partial data where information is lacking.

Monitoring the flow of foreign direct investment in France

In order to operate efficiently, the IFA must have a broad knowledge of the flow of foreign investment projects into France. It has developed a specific tool for this purpose: the annual review of foreign direct investment in France.

Established in 1993, the annual “IFA review” provides a summary of all foreign direct investment projects that create long-term employment in France, and calculates the corresponding number of jobs created. It provides detailed statistics per sector, function, type of development project, size, originating country and host region.

THE SCOPE OF THE REVIEW IS THEREFORE CLEARLY DEFINED:

- It only takes into account development projects which are a direct source of employment (greenfield projects). It does not take into account therefore investments of a purely financial nature, diplomatic representatives, franchises and partnerships which do not lead to the creation of new jobs, or acquisitions of French companies – with the exception of takeovers of ailing companies which directly enable jobs to be maintained.
- It only takes into account projects which create more than 10 new jobs. Smaller projects may be taken into account if they involve strategic positions or a significant level of added value.
- It only takes into account foreign direct investment. It does not therefore take into account project devel-

opments carried out by companies made up of more than two thirds of French capital. In the case of a mixed company or development project involving French capital, only a fraction of the total number of jobs actually created is taken into account, calculated according to the percentage of foreign investment.

– It mainly focuses on project developments for which various countries have competed, in the industrial or service sectors. However, for the last two years, the criteria have been expanded to include some localized services (mainly retail outlets), in order to take into account the increase in international investment in this type of activity. However, only those projects of significant size are taken into account in this category (more than 50 jobs).

– It only takes into account the creation of real jobs in France. Therefore projects that involve a relocation of activity within France, involving the closure of one site involved in similar activity in another part of the French territory, are excluded.

– It takes into account announcements of projects creating long term employment over three years. It does not therefore take into account temporary, unstable or short-term employment. Part-time jobs are taken into account according to actual timed worked.

STATISTICAL DATA IS COLLECTED FROM THREE MAIN SOURCES:

- The IFA “Observatoire France” monitor, which calculates in real time the number of foreign investment projects which have been announced in our country, by means of economic intelligence techniques: analysis of press agency announcements, press reviews, and company and regional agency announcements and Internet websites.
- The “COSPE” initiative (Comité d’Orientation et de Suivi des Projets Etrangers en France - Project Steering Committee), which follows the status of investment projects currently under negotiation by the IFA and its network. The “COSPE” projects that have been successfully completed are included at the end of the year.

- Data concerning projects which have been successfully set up, are communicated at the end of the year by the French regional agencies working with the IFA, and the various IFA offices located abroad.

The compiling of this data by the IFA for the purposes of its final review, involves a transparent process of cross-reference validation between the IFA and its regional partners. Finally, the analyses are carried out ex-post in order to check that projects included in the previous years’ reviews have actually been successfully completed. They demonstrate a very high rate of success over three years, which is indeed frequently higher than 100%, due to the spontaneous increases in development of the sites.

Management of the “COSPE” in France and the how the project management chain functions

The COSPE (Project steering committee) is the means by which information on foreign investment projects is coordinated and communicated within the network headed by the IFA, in order to ensure transparent and fair competition between the various regions in France.

The COSPE is made up of representatives from the DIACT (Délégation Inter-ministérielle à l’Aménagement et à la Compétitivité des Territoires – Interministerial delegation for regional development and competitiveness), from the Ministry of Economy, Finance and Industry, and from regional development agency partners; the IFA acts as its Secretary General.

The process begins with project summaries that are reviewed during “COSPE meetings”. These summaries can originate from IFA offices abroad, business advisors in Paris, or regional agencies. In order for these summaries to be approved and distributed

throughout the network, they must comply with specific criteria regarding content (existence of a real investment project, minimum size, competition for location...), and form (precision of project information, company information, etc.).

The project information is then distributed to regional agencies. Regional agencies which consequently decide to compete for the project and establish a regional proposal, send their details directly to the IFA office in the relevant country. This IFA office is then responsible for preparing the “France” dossier for the prospective investor, which includes the proposals sent by the various regions and a general presentation of the country.

Using information provided by the COSPE partners involved in the process, the project is then followed up until it either reaches a successful conclusion or is finally abandoned.

Indicators

The classifications according to function, sector and type of business operation are designed to reflect real market characteristics.

CLASSIFICATION ACCORDING TO SECTOR OF BUSINESS ACTIVITY

This is based on a 20 item classification that is compatible with those used by the French INSEE institute (NAF 700 and economic summary classification), but which has been adapted to the reality of the investment market. Projects are classified according to the type of goods or services they directly contribute to producing or distributing. Where the project has several functions (e.g. administrative support), it is classified according to the company's main sector of activity. This classification is progressively evolving to take into account new market trends: for example, two years ago, a "biotechnology" sector was added, whereas these activities were previously included in the "Chemical" sector.

Classification according to sector of business activity

N°	Sector
1	Agro-food, agriculture and fishing
2	Textiles-clothing
3	Pharmaceuticals, Cosmetics
4	Furnishings, household goods
5	Electrical goods
6	Automotive manufacturing and equipment
7	Aerospace, naval and railway equipment
8	Machinery and mechanical equipment
9	Electronic components
10	Electrical, electronic, IT and medical equipment
11	Glass-Ceramics-Minerals-Wood-Paper-Printing
12	Chemicals, plastics
13	Metal, metal working, recycling
14	Transport, Storage, Construction
15	Telecom, internet service providers
16	Software and IT services
17	Consulting, Engineering and business services
18	Other commercial and financial services
19	Energy
20	Biotechnologies

bankruptcy, or in administrative liquidation), which enable the business activity to be partially or totally maintained. The jobs that are saved as a result of these takeovers are taken into account as "jobs maintained". In some cases, the business takeover also involves additional investments that lead to

new jobs being created. This is known as "takeover-extension". With regard to the taking over of foreign companies, these operations are only taken into account if the site in question has not changed owner during the course of the past three years, in order to avoid them being taken into account more than once.

– "Business consolidation" projects are defined as investments that allow a site that is threatened with closure due to specific competition from another site in a different country, to be maintained in the medium term. Jobs which are saved at the site after the investment operation has taken place, are taken into account as "consolidated jobs". Given the specific nature of these investments, which do not involve job creation as such, they are presented in a separate category in the review.

CLASSIFICATION ACCORDING TO NATURE OF BUSINESS ACTIVITY

In order to carry out their business, companies rely on various types of activity: production of goods and services, of course, but also what are known as "support services" or "business services". This sector is vast and includes research & development, administrative services and headquarters, logistics and distribution, call centers and tele-services, etc. Potential host countries often compete against one another to attract this type of activity. A specific index has been included in the review to class projects according to their "function". This was broadened two years ago to include a new activity: retail outlets.

CLASSIFICATION ACCORDING TO COUNTRY OR REGION OF ORIGIN

This depends on the country of origin of the parent company or the holding company responsible for the investing company. For example, an investment project is considered "Japanese" if it comes from a European or French subsidiary of a Japanese group. When the project is a joint venture involving several companies from different countries, the jobs created are ascribed to the various countries according to the level of investment of each individual company.

CLASSIFICATION ACCORDING TO HOST REGION IN FRANCE

Since the address and the postcode of each project are systematically recorded, investment projects can be classed according to their region, department or locality in France. In the event that a single investment project involves several different sites in France (in the case of a takeover for example), the corresponding jobs created are ascribed to the various regions, according to the information available.

Classification according to nature of business activity

Primary function of the site	Définition
Research & Development Center	Site whose mission is to advance scientific knowledge, perfect or adapt new technologies or products.
Internal administration center or exclusive headquarters	A company headquarters or HQ is the company's worldwide or regional decision center. An internal administration center (also known as shared service center) is an autonomous site that is responsible for ensuring administration support activities within the company (accounting, financial services, etc.).
Production/ Manufacture/ Assembly	Site that is dedicated to the physical manufacture of goods (or in some cases, services).
Service providers	Site that provides commercial services for clients.
Commercial or liaison office	Site whose main purpose is to represent the company and liaise with clients (excluding direct sales).
Distribution/ Logistics/ Packaging	Site that contributes to the handling and storage of goods.
Call center and on-line services center	Specialized site, regrouping facilities required to provide personalised solutions for the consumer, from a remote service center.
Recycling, treatment of waste materials	Site that treats used and waste materials.
Retail outlet	Site that provides goods and services for sale to the consumer.

Diversity of statistical sources related to foreign investment in France

The disparity in data concerning foreign investment can sometimes be a source of confusion; the following explanation aims to rectify this.

The analysis of foreign investments in France is a field that is relatively new, and that is badly served by traditional national statistics. It is therefore the object of diverse approaches. There are four main types of data sources in this field: statistics concerning direct investment (flows and stocks); statistics concerning international mergers and acquisitions; statistics concerning physical investments from foreign sources; and finally, statistics concerning foreign participation in the French economy.

STATISTICS CONCERNING DIRECT INVESTMENT

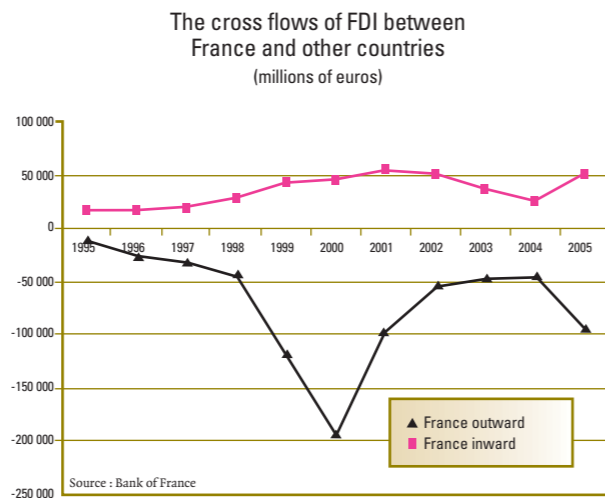
The statistic that is most commonly used to measure the flow of international investment is a financial statistic that comes from the balance of payments, known as “foreign direct investment” (FDI).

In principle, the term “direct investment” refers to the transfer of equity from foreign non-residents in order to acquire or increase a subsidiary located in France (only holdings in equity capital of 10% and above are included). In fact, these figures also include financial transactions between the parent company and its subsidiary, as well as property acquired by non-residents.

These figures are compiled by the Bank of France, and take two different formats:

1. the “flows” data show the transfer of equity-capital from the parent company to the French subsidiary;
2. the “stocks” data show the cumulated amount of stocks held by foreign companies in our country.

The data produced by various international organizations (Eurostat or SOEC, OECD, UNCTAD, IMF, World Bank) enable comparisons with other host countries.



However, this statistic is not properly adapted to measuring the flows of physical investments which is what interests the IFA, for three main reasons :

1. it includes transactions (acquisitions, retained earnings, cash flow movement), which have little to do with physical investment;
2. it does not take into account certain physical investments that are not financed by FDI flows, but by other sources (funding from local sources in particular);
3. the data is exclusively financial, and does not provide the means to calculate the related job creation or production capacity linked to the investments in question.

STATISTICS CONCERNING PHYSICAL INVESTMENTS FROM FOREIGN SOURCES

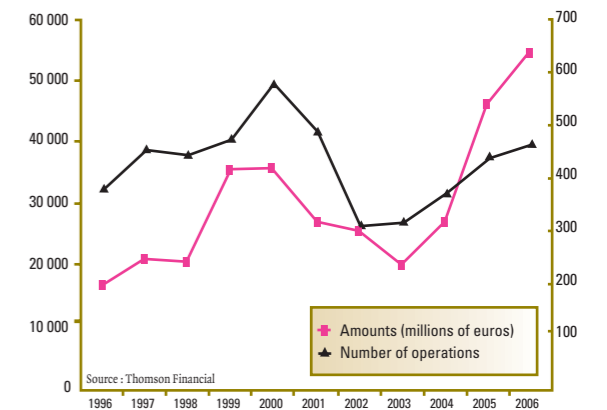
In order to create a tool that is better adapted to their requirements, investment promotion agencies and the major consulting firms have devised an alternative method of measurement. This method uses economic monitoring systems to collect information concerning all the internationally mobile investment projects which have been announced. This system specifically enables the number of jobs involved in such projects to be taken into account. The review of international investment in France published each year by the IFA is based on this method.

Similar sort of data is produced in other countries by investment promotion agencies that are the equivalent of the IFA, such as UK Invest and Trade in Great Britain and Tzechinvest in the Czech Republic. However, differences in scope and method of calculation mean that this data cannot be used for purposes of direct comparison. It is preferable for international comparisons to be based on data compiled by specialist consulting firms, or on data supplied by the IFA monitor for international investments in Europe (“observatoire”).

DATA CONCERNING INTERNATIONAL MERGERS AND ACQUISITIONS

This data is compiled mainly by private consulting firms (e.g. Thomson Financial), and indicates the number of French companies being taken over by foreign companies, and the amounts of related financial transactions.

Total acquisitions of French companies by foreign firms



STATISTICS CONCERNING THE PRESENCE OF FOREIGN BUSINESSES IN FRANCE

Since 1993, the SESSI – Office of Industrial Studies and Statistics (the DiGITIP statistics service) has published a yearly statistical study on the level of foreign businesses operating within French industry. The study provides detailed statistics on the role of foreign businesses in levels of employment, production, exports and investment. More recently, the INSEE institute (National Institute of Statistics and Economic Studies) broadened the scope of this approach to include the whole of the French economy, but with a lesser degree of detail.

Many other countries produce similar data. The OECD’s recent efforts to harmonise data, now enables reliable international comparisons.

The presence of foreign businesses in the French economy: one in every seven jobs in the market sector

According to data published in 2006 by the INSEE institute, in 2003 one French employee in every seven was employed by the subsidiary of a foreign company. This number almost doubled between 1993 and 2003, increasing from 1.1 to 1.9 million.

IFA works closely with a number of French businesses to offer a complete service to foreign investors who join the IFA Club.

Insurance: GMC Services ; **Audit, Accounting:** Deloitte Touche Tohmatsu, Grant Thornton, Arfeuille & Associés, Audit Expertise & Services, Caderas Martin, Fidag Sarl, Isobel Audit Consulting ; **Other Business Services:** Clientys ; **Bank, Financial Institutions:** Barclays Bank Plc, BCME / Crédit Mutuel ; **Construction, Building:** Arte Charpentier ; **Legal Advisors, Law firms:** Amyot Juridique & Fiscal, Baker & Mc Kenzie, DS Avocats, Salans ; **Economic Development, Industrial Redevelopment Organisations:** C & D International Dynamix, France Industrialisation & Emploi ; **Energy, Water, Environmental Services:** Schneider Electric France ; **Business Real Estate:** GSE, SILIC ; **Human Resources, Recruiting:** Convergence Management, Mercer Human Resource Consulting, Michael Page ; **Services for Expatriate Personnel:** Helma International, Pricoa Relocation France ; **Transport, Logistics :** CPV Associés

Our thanks to:

Companies. Aalbert Industries, Accenture, Acciona, Adonix, Agco, Agrifreez, AIAC, Air Liquide, Ajinomoto, Akers, Alcatel, Albermarle, Aldis, Alenia Space, Amadeus, Areva, Ariake, Arianespace, AstraZeneca, Atel, Atmel, ATR, Avion Group, Axess Europe, AZIa composants logiciels, BASF, Baxter, BBKA, BCD Travel, Beaufour, Belgfomilk, Bertelsmann, BioAlliance, Blinker, Bluestar, Boehringer-Ingelheim, Boeing, Bonbon Bosch, BorgWarner, BSQ, Buddies, Business Objects, Campbell, Cargill, CarphoneWarehouse, CAT, CF Gomma, China Unionpass, Chiquita, Chugai, Clientlogic Corporation, Comap Industries, Créditsafe, Cuisine Solutions, Daimler Benz, Danone, Dassault Aviation, Delphi; Deutsche Telekom, Diatos, Dupont, EADS, EADS/Airbus, EADS Astrium, East Balt, Eismann, Elektra, Eli Brameli, Eurocopter, Expedia, Exki, ExonHit, Exxon Mobil, EZ System, Ezaki Glico, Faurecia, FedEx, Fiat, Finnforest, Finsa, Fjord Seafood, Fonecta, FM Logistics, France Telecom, Frankfurter Brauhaus, Freescale, Gefco, Gemplus, GL Trade, Google, GSK, Hans Wüst, Hallvard Lerøy, Hisense, Ibiden, IBM, Icera Semiconducteurs, Ikea, Illinois Tools, Ineos, Infogrammes, Iter, Itesoft, Johnson Controls, Johnson & Johnson, JTC, Kanebo, Kerry Ingredients, Kohlberg Kravis Roberts & Co, KPMG, Kuehne & Nagel, KWS, La Foca, Laforge, Lactalis, Leach, Lee Cooper, LG Electronics, Lidl, Liehbehrr, Lily MSD, Mac Cain, Magna, Mast, MatlinPatterson, Merck AG, Merial, Merz, Michel Thierry, Michelin, Microsoft, Modern Engineering, Motorola, Moy Park, Modulex, Muysshondt, Nicox, Nonobiotix, Norbert Dentressangle, Novartis, Novo Nordisk, Number 118 118, NXP, OHB Technology, Omka, Onex Corporation, Oyako, Pfizer, Pharma, Pierre Fabre, Polyrey, Porta Cork, PPC SAS, PR Bois, PSA, Reichhart, Renault, Renault Trucks, Roche, Rohm & Haas, Safran, SAFT, Sagem, Saint-Gobain, Sanden, Sankyo, Sanofi-Aventis, Sapa, Saria, Schering Plough, Scottish Newcastle, Shell, Shiseido, Serono, Servier, Siemens, Silpro, SilverPoint Capital, Sitel, Smurfit, Star Airlines, STEF-TFE, STMicroelectronics, Suez, Takeda, TBI Synthesia, Thalès Electronics, Thomson Multimedia, Toray Soficar, TotalAtofina, Toyo Ink, Toyota, Transcom, les Trefileries de Conflandais, Turbomeca, UBC, Ubisoft, UPM, Valeo, Van Drie, VCiliger, Veolia, Verbund, Virgin Mobile Telecom, Visgames, Vivendi, Volvo, Watchdata, Wrigley, Yoshikawa Shoji. **Ubifrance. Regional IFA partners.**

Director of publication: Laurent Trupin, Director General. **Chief Editor:** Fabrice Hatem, Economic advisor. **Editorial coordination:** Aurélia Guillou, Communication project manager. **Data control and interface with regional partners:** Constance Arnaud, Judith Moreau, Hervé Pottier. **Copy:** Christine Bagnaro, Sarah Bony, Hervé Leclerc, Hélène Lebedeff, Audrey Massols, Nicolas Mohr, Benoît Tarche, Project managers. **Photo credits:** Dassault, Volvo Trucks, Transcom, Ikea, GE, Siemens, Ubisoft. **Design and production:** Sphère Publique, contact.infos@spherepublique.fr - March 2007