

The French Republic



Enterprise Europe Network Country Profile August 2007

FRANCE



Country's full name: French Republic (*République française*).

Capital city: Paris (12,067,000 metropolitan area)

Population: 63,195,000.

Official language: French.

Currency: Euro (since January 2002) .

Religion: Roman Catholic 83%-88%, Protestant 2%, Jewish 1%, Muslim 5%-10%, unaffiliated 4%.

Area: 547,030 sq. km.

Terrain: Mostly flat plains or gently rolling hills in the North and West; remainder is mountainous, especially the Pyrenees in the South, and the Alps in the East.

Climate: Generally cool winters and mild summers, but mild winters and hot summers along the Mediterranean.

Annual rainfall in Paris: 25.2 inches.

Administrative divisions: Metropolitan France is divided into 22 regions, 96 administrative districts (départements) and 36,000 local community councils (communes). France also has four overseas administrative districts (départements d'outre-mer, DOM) and five overseas territorial communities (collectivités d'outre-mer).

Weights and measures: Metric.

Time zone: GMT plus one hour. From late March to late October a daylight saving scheme is in operation which is GMT plus two hours.

International dialling code: 00 33.

Government: France's political system is a hybrid of presidential and parliamentary elements. The President is directly elected every five years (next elections: 2012) and he appoints the Prime Minister, who will always be from the party that holds the majority of seats in the National Assembly. The bicameral Parliament is composed of the National Assembly (the lower house, elected every five years, next elections: 2012) and the Senate (the upper house, elected indirectly every nine years). Nicolas Sarkozy was elected President in May 2007. His party, the Union pour un Mouvement Populaire (UMP) won a few months later the majority in the lower house.

ECONOMIC OVERVIEW

France is a highly developed and modern country and the fifth largest economy in the world. It has substantial agricultural resources, a large industrial base and a highly skilled work force. A dynamic service sector accounts for an increasingly large share of economic activity (72%) and is responsible for nearly all job creation in recent years.

However, France has been facing high unemployment and slow economic growth for many years. Economic prosperity is hindered by high fiscal pressure and an interventionist state. Attempts by the government to revitalise the economy was hampered by widespread protests in 2006. Riots in 2005 have shown new President Sarkozy has big unemployment problems to solve. The budget deficit remains high because the country has not succeeded in reforming its generous and expensive welfare state.

ECONOMIC INDICATORS	
Population (2007)	63,195,000
Unemployment rate (2006)	9.4%
GDP per head in euro (2007)	28,500
GDP average growth rate (2007)	2.4%
Inflation rate (2006)	1.9%
Total exports (billion euro) (2006)	389.2
Total imports (billion euro) (2006)	417.6
Internet users (2007)	34,100,930

Sources: Eurostat, CIA World Factbook

INFRASTRUCTURE/ENVIRONMENT

Roads

The road network is well-developed in France: 1,079,072 kilometres (all hard-surfaced) of which 10,492 kilometres are motorways. There is usually a péage (toll) for motorways.

Railways

The rail network is very developed (31,000 kilometres of track) and connects every city by either TGV (train grande vitesse, a high-speed train) or TER (regional express trains). With a speed of 300 km per hour, the TGV is one of France's proudest technological achievements.

Shipping

French ports handle more than 345 million tons of cargo a year. Marseille is the leading French port (96.6 million tonnes of cargo in 2005), followed by Le Havre (75 million tonnes), Dunkirk and St-Nazaire. 8,500 km of navigable inland waterways carry 56 million tonnes of freight per year.

Civil aviation

Roissy-Charles de Gaulle, Orly (both located in Paris) and Nice are the main international airports. France has a total of 190 airports. The national carrier is Air France.

Energy

Energy is mainly derived from electricity (42.7%, of which 78.6% is derived from nuclear power in 2006), followed by oil (33.4%), gas (14.7%) and coal (4.5%). Energy consumption exceeds production capacity and France has to import 50% of the energy it consumes, mainly oil. Oil imports reached 1.972 million barrels per day in 2006. The French electricity market is fully open to competition and the gas market is undergoing a liberalisation process.

Telecommunications

The country had 38.2 million landline subscriptions and 52 million mobile phone subscribers in March 2007. The main operators are France Telecom (48.2% of the market), Cégétel-SFR and Bouygues Telecom. Alcatel-Lucent is the world leader in transmission systems and submarine cable networks. The main supplier of digital television is Thomson Multimédias.

Environment

Major French cities such as Paris, Strasbourg, Lyon and Marseille suffer from air pollution, mainly caused by transportation. France has also experienced two major oil tanker spills on the west coast in the past seven years, resulting in significant environmental damage to the country's coastal areas. Following the tanker spills, France is taking a more proactive approach to environmental protection and has been a leading force behind European efforts to ban single-hull tankers. In 2003, a plan was approved to modify the French constitution to give environmental protection as much weight as human rights. Waste management and wastewater treatment are the top priorities of the French government.

MAJOR SECTORS OF THE ECONOMY

Agriculture and foodstuffs

French agriculture is much more developed than that of many other western economies. France is the largest producer of agricultural products in Europe and the second largest exporter of agricultural products in the world. Even though only 6% of the labour force is employed in the agricultural sector, this sector is very dynamic and has, over the past three decades, undergone a remarkable modernisation making it extremely efficient. With a turnover of €139.7 billion in 2006 and approximately 390,000 employees and 3,180 companies, food production is a key sector of the French economy, and a very open market that accounts for approximately 15% of France's total income. Wine and liquors are the most exported products.

Automobile industry

The automobile industry is the largest industrial activity in France, providing work for approximately 2.5 million workers. The annual turnover of this sector was €109 billion in 2006. France is the world's fourth largest manufacturer and third largest exporter of cars. In 2005, France produced 5.9 million vehicles and exported nearly 70% of domestic production. PSA (Peugeot-Citroën) and Renault are the two main producers in the sector.

Construction and civil engineering

This sector has overcome a crisis in the past few years resulting in a decrease in its workforce. However, construction and civil engineering still employ around 2.4 million workers, both directly and indirectly, and have an annual turnover of around €137 billion. Civil engineering is a very concentrated sector, and the companies that operate in this field are large (Bouygues, Vinci) using highly sophisticated technologies to build nationwide infrastructures such as the Viaduc de Millau or the stadium the Stade de France. The construction sector on the other hand has over 30,000 SMEs.

Chemicals and pharmaceuticals

France is the fifth largest manufacturer and the third largest exporter of chemical and pharmaceutical products in the world. The annual turnover of this sector exceeds €126.6 billion in 2005. The main chemicals companies are Air Liquide, Rhodia, Hutchinson, Atofina and the main pharmaceuticals companies include Sanofi-Synthélabo, Biomérieux-Pierre Fabre and Servier.

Fashion and luxury goods

This sector includes haute couture, jewellery, luxury leather goods, perfumes, cosmetics and fine glassware. Yves-Saint-Laurent, Vuitton, Chanel, Baccarat, Hermès, Jean-Paul Gaultier, Dior and Cartier are some of France's top designer labels. The annual turnover of this sector is €35 billion.

Tourism

With more than 79 million visitors each year, France is the world's most popular tourist destination, followed by Spain and the United States. Tourism accounted for 6.5% of the GDP in 2006 with a total of 2 million employees. The most popular destinations are Paris and the Provence-Alpes-Côte d'Azur and Rhône-Alpes regions (located in south-east France).

BANKING AND FINANCE

Banking

The banking sector accounts for 3% of the country's GDP and French banks have internationalised their assets to become fully integrated into the globalisation process. As a result of several mergers over the past few years, the sector is now rather concentrated. 435 banking firms were operating in 2006. The top three French banks are Crédit Agricole, BNP-Paribas and Société Générale.

The Banque de France (Bank of France), 31 rue Croix des petits champs, 75001 Paris.

T: 0033 1 42 92 42 92.

Independent since 1993, it is the central bank. The Banque de France is a member of the European System of Central Banks (ECSB) and its governor sits on the executive board of the European Central Bank.

Website: www.banque-france.fr

Euronext Paris (formerly the Paris Stock Exchange), 39 rue Cambon, 75039 Paris Cedex 01.

T: 00 33 1 49 27 10 00.

The Paris Stock Exchange merged with the exchanges of Amsterdam and Brussels in September 2000 to form Euronext N.V, joined by the LIFFE (London International Financial Futures and Options Exchange) and the Portuguese Exchange in 2002. Today, Euronext is Europe's leading cross-border exchange, integrating trading and clearing operations on regulated and non-regulated markets for cash products and derivatives. Euronext merged in 2006 with New York Stock Exchange (NYSE), making it the largest global stock market.

Website: www.euronext.com

The Financial Markets' Authority (Autorité des Marchés Financiers), 17 place de la Bourse, 75082 Paris Cedex 02.

T: 0033 1 53 45 60 00. F: 0033 1 53 45 61 00. E: centrededoc@amf-france.org

The AMF is France's financial regulatory agency. It was formed in 2003 to safeguard investments in financial instruments and to maintain orderly financial markets.

Website: www.amf-france.org

Insurance

The French insurance industry is the fifth largest in the world, with a turnover of €198.4 billion in 2006. Axa, Europe's largest insurance company, CNP and AGF are the three main French insurance companies. Life and health insurance continue to grow by 16.1%. Property-casualty insurance is growing by 2.2%. The insurance sector provides some 200,000 jobs.

Pension funds

Despite wide-scale popular opposition, public pension funds were reformed in 2003, in order to face the shortfall caused by the ageing population. A high unemployment rate and a low level of employment rate represent a future challenge for this age group. The French are still widely hostile to capitalised pension funds and private pension funds are rare.

OPPORTUNITIES FOR UK EXPORTERS / INVESTORS

Overview

As the world's fifth largest economy, France offers a favourable economic environment to potential exporters. The UK and France are major trade partners. France is the UK's third largest export market, accounting for 10% of total UK exports. Investment regulations in France are simple and a range of financial incentives for foreign investors is available. France is attractive to UK investors because of its skilled and productive labour force, its central location in Europe, its good infrastructure and its technology-oriented society. However, investors must deal with extensive economic legislation and taxation, high social costs and complex employment legislation. Highly developed employee rights and benefits can make exit costs high for investors seeking to leave France.

IT hardware and telecommunication equipment

The French IT market is the world's fourth largest for equipment manufacturing. Though the leading French manufacturers (Alcatel, France Telecom, Cegetel) dominate the production of the equipment market, the rapid expansion of the mobile sector, wireless technology and the internet should increase the need for new equipment and technology. In software applications, sales are led by decision-making tools (growth of 4 percent per year) and by CRM solutions for SMEs, with annual sales expected to rise by 5.5 percent until 2007.

Petroleum

Energy, including petroleum and natural gas, represents 10% of the UK's exports to France. Due to France's growing dependency on energy, this market offers good prospects for UK investors.

Pharmaceuticals and medical equipment

France is the leading producer of pharmaceuticals in the EU with a total turnover in 2006 of €40.6 billion. It employs about 100,000 workers. The total market demand for medical equipment reached €3.9 billion in 2006. The best sales prospects include newly developed areas such as non-invasive surgery and orthopedic and disposable medical equipment. The need for medical home-care and long-stay hospitalisation for the increasing elderly population bring new prospects for the UK medical equipment sector.

Automotive sector

France is responsible for 21.5% of the total car production in Europe, which makes it the fourth largest manufacturer in the world. France is Europe's third largest car market with over 35 million cars on the road. The best prospects for foreign investors are within automotive maintenance products, car-care products and car accessories rather than in auto parts of the tier-one market.

Aircraft and spacecraft

The French aerospace industry had an annual turnover of €32.1 billion in 2006. The current trend is that the production will only increase. Prospects in this market are opportunities associated with the manufacturing of new aircraft, notably the Airbus A380 and to a lesser degree the Airbus Military Company's aircraft A400M.

Chemicals and plastics

France's chemical market is the fifth largest of the world with a turnover of €96.6 billion in 2006. The market offers good growth prospects although UK exporters face growing competition from Asian chemical exporters. Turnover is therefore slowly declining. Recent cooperations between UK and French chemical companies seems a logical route to continue the existence of this industry.

BUSINESS CULTURE

Business hours

Offices and commercial banks are usually open 09.00 - 17.00 or 17.30, Mondays to Fridays. Shops tend to be open 09.00 or 10.00 - 19.00, Tuesdays to Saturdays. In more rural areas shops and commercial banks are normally closed from 13.00 to 15.00. Some supermarkets, bakeries, butchers and news agents may be open on Sunday mornings.

National holidays in 2009-10

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|------------------|------------------|
| • Ascension Day | 21 May 2009 |
| • Pentecost | 01 Jun 2009 |
| • Bastille Day | 14 July 2009 |
| • Assumption Day | 15 August 2009 |
| • All Saints Day | 01 November 2009 |
| • Armistice Day | 11 November 2009 |
| • Christmas Day | 25 December 2009 |
| • New Year's Eve | 31 December 2009 |
| • New Year's Day | 01 January 2009 |
| • Good Friday | 02 April 2009 |
| • Easter Monday | 05 April 2009 |

Dress

Dark business suits for men and an understated dress or suit for women are appropriate business wear.

Business etiquette

In French business culture, it is customary only to use first names when invited to do so. Lunch is the best place to forge business relationships in France. The subject of business, however, should only be brought up by the host and later in the meal. A business meeting should begin and end with a brisk handshake accompanied by an appropriate greeting and the exchange of business cards. Punctuality is treated rather casually in France.

SETTING UP A BUSINESS IN FRANCE

All new companies need to be registered with a local Centre de Formalités des Entreprises (CFE). The centres sort out all documents required for setting up a company in France and forward them to the relevant authorities. Most CFEs are hosted by the local Chamber of Commerce and Industry. Formalities related to recruiting staff must be completed with URSSAF (Union de Recouvrement des Cotisations de Sécurité Sociale et d'Allocations Familiales), the organisation in charge of social security contribution.

International companies may open branches in France under a variety of forms. Short-term and long-term options can all be implemented with absolutely no legal risks and investors are free to amend their plans once they have been submitted, subject to some simple and inexpensive procedures.

The website of the Invest in France Agency gives relevant information on setting up a business in France.

W: www.investinfrance.org/UK

FURTHER SOURCES OF INFORMATION/ USEFUL ADDRESSES

London Chamber of Commerce and Industry, 33 Queen Street, London EC4R 1AP.

T: 020 7248 4444. F: 020 7489 0391. E: lc@londonchamber.co.uk

London Chamber of Commerce's World Trade Team, Information Centre and European Information Centre can provide information or advice on many topics relating to international trade and overseas markets, including France. London Chamber of Commerce is a membership organisation but non-members can utilise certain services on a charged basis.

W: www.londonchamber.co.uk

Franco British Chamber of Commerce & Industry, Rue Boissy d'Anglas 75008 Paris.

T: 0033 1 53 30 81 30. F: 0033 1 53 30 8135. Email:

catherine@francobritishchamber.com

The website of the Franco British Chamber contains much useful information for UK companies trading with France.

W: www.francobritishchamber.com

UK Trade and Investment, Kingsgate House, 66-74 Victoria Street, London SW1 6SW.

T: 020 7215 8000. F: 020 7215 2482. E: Diane.Brodie@uktradeinvest.gov.uk

France section contact: 00 33 1 4451 3456.

UK Trade and Investment is a British government body responsible for helping UK firms secure overseas sales and foreign companies invest in the UK. Their website has pages for each country of the world, including France, which gives useful information and contacts.

UK Trade and Investment Information Centre, at the same address, has an extensive collection of electronic databases and market information covering nearly every sector and country, including France.

E: enquiries@uktradeinvest.gov.uk

W: www.trade.uktradeinvest.gov.uk

British Embassy, 35 rue du Faubourg St Honoré, 75383 Paris Cedex 08.

T: 0033 1 44 51 31 00. F: 0033 1 44 51 41 27.

Consulate-General in Paris: 18 bis rue d'Anjou, 75008 Paris. (Other Consulates-General are based in Lille, Lyon, Bordeaux and Marseille.)

T: 0033 1 44 51 31 02. F: 0033 1 44 51 31 27.

E: consulare-mailpavis.consulare-mailpavis2@fco.gov.uk

Visa section: 16 rue d'Anjou, 75008 Paris.

T: 0033 1 44 51 31 01. F: 0033 1 44 51 31 28.

E: VisamailParis.VisamailPavis@fco.gov.uk

Commercial section: 35 rue du Faubourg St Honoré, 75008 Paris.

E: commercialenquiries.paris@fco.gov.uk

W: www.amb-grandebretagne.fr

French Embassy in the UK, 58 Knightsbridge, London SW1X 7JT.

T: 020 7073 1000. E: presse.londres-amba@diplomatie.gouv.fr

W: www.ambafrance-uk.org

Invest in France Agency, 21 Grosvenor Place, London SW1X 7HU.

T: 020 7823 1895. F: 020 7235 8453. E: london@investinfrance.org

A useful source of information on investment conditions, procedures for businesses entering the French market, French labour law and corporate tax system. The Invest in France Agency also facilitates business partnerships.

Website: www.investinfrance.org/UK

Portal to the French Chambers of Commerce and Industry (Portail des Chambres de Commerce et d'Industrie). Contains links to all local chambers of commerce in France.

Website: www.cci.fr



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We provide practical, hands-on support and information for London's small and medium businesses seeking funding, hoping to expand their business into Europe, or wishing to develop (technology) partnerships with other European businesses. For more information please go to www.london-innovation.org

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