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INVEST

FOREIGN DIRECT INVESTMENT

According to the [World Investment Report 2023](#) published by UNCTAD, France was the tenth-largest recipient of FDI in 2022, and the second in Europe, with a total of USD 36.4 billion, compared to USD 30.8 billion one year earlier (+17.9%), mainly due to large M&A deals (from USD 4.6 billion to USD 31 billion), in transportation and storage, information and communication, and finance and insurance. Greenfield projects announced in France reached USD 20 billion, up from USD 14 billion in 2021. In the same year, the stock of FDI reached USD 896.8 billion, around 32.2% of the country’s GDP. The countries holding the majority of FDI are the United States (18.3%), Switzerland (13.4%), Germany (12.3%), the United Kingdom (11.5%), Luxembourg (9.4%), and Belgium (6.7%); while in terms of sectors investments are mostly directed to manufacturing (29.1%), finance and insurance activities (25.7%), real estate (21.3%), wholesale and retail trade (7.4%), scientific, technical, and specialized activities (4.9% - data Banque de France). According to the latest figures from the OECD, in the first semester of 2023, FDI inflows reached USD 1.7 billion, as compared to USD 1.4 billion in the corresponding period one year earlier.

France is very open to foreign investments. Among its key assets are a well-educated populace, top-tier universities, and a skilled labour force. It possesses a contemporary business ethos, advanced financial markets, robust intellectual property rights enforcement, and a pioneering commercial landscape. Renowned for its exceptional infrastructure, France features high-speed passenger rail, numerous maritime ports, expansive roadway networks, a comprehensive public transportation system, and seamless intermodal connections. High-speed mobile coverage is widespread, with 5G now accessible in numerous major and mid-sized urban areas. On the other hand, France continues to grapple with longstanding obstacles for foreign investors, including labour costs, labour protections, social legislation, and administrative intricacies. However, the country’s innovation prowess, research capabilities, recent pro-business policies, and governmental initiatives toward ecological transition serve as compelling attractions for investors. Foreign ownership of companies in France faces no statutory constraints, except for specific sectors. However, acquisitions of domiciled companies or subsidiaries involved in critical sectors tied to France's national interests, public order, security, and defence, or engaged in R&D on critical or dual-use technologies for these sectors, require prior notification, review, and approval from the Minister of the Economy. Moreover, on December 28, 2023, the French government enacted decree number 2023-1293 and a corresponding administrative order, expanding the coverage of French FDI rules. The notable changes include extending the scope to control acquisitions of unincorporated "commercial establishments" in France owned by foreign companies, setting a permanent 10% voting rights triggering threshold for non-European Union and non-European Economic Area investors in French publicly-listed companies, broadening the covered activities to include critical raw materials extraction, processing, and recycling, as well as prison establishment security. Additionally, the new rules modify the list of critical technologies for R&D, replacing renewable energy with the broader low-carbon energy, and adding photonics.

France ranks 11th among the 132 economies on the [Global Innovation Index 2023](#) and 62nd out of 184 countries on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	11,359	30,885	36,413

Foreign Direct Investment	2020	2021	2022
FDI Stock (million USD)	952,937	944,763	896,806
Number of Greenfield Investments*	590	595	614
Value of Greenfield Investments (million USD)	15,852	13,956	20,238

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	France	OECD	United States	Germany
Index of Transaction Transparency*	8.0	6.5	7.0	5.0
Index of Manager's Responsibility**	3.0	5.3	9.0	5.0
Index of Shareholders' Power***	6.0	7.3	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN FRANCE

Strong Points

France is one of the top ten world economic powers and has many assets to attract foreign investors:

- A strategic geographical location in the centre of Western Europe
- A developed tertiary fabric (including tourism), a vast industrial base and strong agricultural production capacity
- Leading infrastructure and quality public services
- A skilled and productive workforce (2nd European country in terms of hourly productivity) and a dynamic demographics
- An investment-friendly business environment and a relatively stable and transparent legal framework
- A diversified economy that is full of a wide range of players ranging from large multinationals to high-tech start-ups (French tech).

Weak Points

The main obstacles to attracting FDI in the French economy are:

- One of the highest corporate tax rates in the world
- High cost of labour
- Heaviness of the tax and work regimes
- High unemployment rate (7.9% in 2021, INSEE) which particularly affects young people and older workers
- Growing inequalities
- High public spending fuelling already significant public debt (112.3% of GDP in 2021, IMF)

- A low level of SMEs operating for export or investing in innovation

Government Measures to Motivate or Restrict FDI

Many reforms have emerged in recent years with the aim of revitalizing the national economy and attracting foreign investors. Here are the main ones:

- The number of administrative formalities for the establishment of foreign companies has been reduced.
- The establishment of a tax credit program of 20 billion EUR (competitiveness tax credit), the abolition of the solidarity tax and the creation of the research tax credit and incentives for young innovative companies.
- The reform of the labour legislation reinforcing vocational training and adding more flexibility to the labour market.
- The reduction of the corporate income tax rate from 33% to 25% by 2022.
- Competitive taxation of research and temporary exemption arrangements for innovative start-ups and new businesses.
- Foreign companies have access to the same subsidies as French companies (support for productive investment, R&D, vocational training, job creation, etc.).

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Aerospace, automobile, food industry, pharmaceuticals, luxury and fashion industry, micro electrotechnology, logistics, health equipment.

High Potential Sectors

Biotechnologies, telecommunications, firm services, information and communication technologies, environment.

Privatization Programmes

Electricity, gas, rail transport and postal services. The government has not recently announced plans to privatise any of the remaining state-owned enterprises, but it has drawn down its shareholdings in several companies.

Tenders, Projects and Public Procurement

[BOAMP](#), French Public Procurements (in French)

[Tenders Info](#), Tenders in France

[Ted - European public markets](#), Business opportunities in the EU

[MPF](#), Public markets and projects in France

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

The French government still maintains legal monopolies in public service companies: the rail network (SNCF),

public transport in Paris (RATP), tobacco manufacturing and distribution (Altadis) nuclear plants (EDF), defence, the media, energy, air transportation, aerospace.

Sectors in Decline

Textiles, shoes

Finding Assistance For Further Information

Investment Aid Agency

Business France (national agency supporting the international development of the French economy)

Other Useful Resources

Bpifrance (The French Public Investment Bank)

Guichet Entreprises (French government agency)

Les-Aides.fr (Online guide on support to businesses)

Doing Business Guides

Invest in France

Doing business in France (Guide by Thomson Reuters Practical Law)

Doing Business in France (Trade Commissioner Service, Government of Canada)

France's foreign investment regime (Pinsent Masons)