OECD REVIEWS OF FOREIGN DIRECT INVESTMENT

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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FRANCE

Foreword

This report, devoted to France's foreign direct investment policy, is based on the examination carried out in June 1995 by an OECD Working Group comprising representatives of the Committee on Capital Movements and Invisible Transactions (CMIT) and the Committee on International Investment and Multinational Enterprises (CIME). The task of these committees, whose members are officials from Ministries of Finance, Foreign Affairs, Trade and Industry and central banks, is to promote free and non-discriminatory investment policies through the OECD's Code of Liberalisation of Capital Movements and National Treatment Instrument.

This report was examined and adopted by both Committes and released for general distribution by the OECD Council on 24 April 1996. The factual data had been updated through February 1996.

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Introduction

With the coming of globalisation and European integration, France's economy has been undergoing a process of profound structural change for approximately the past 15 years. As in other European countries, this process has largely been propelled by financial deregulation, which has led to the lifting of exchange controls, the elimination of credit restrictions and the liberalisation of capital movements and direct investment. These reforms have proved to be powerful instruments of the globalisation of the French economy. The role of the State has also changed during this period. In recent years, the government has sought in particular to create favourable macroeconomic conditions and to encourage and assist enterprises in adapting to international competition.

The surge in both inward and outward direct investment flows starting in 1984-1985 was a clear sign of the changes that had taken place. With regard to inflows, France attracted an important share of the foreign investment that poured into Europe to take advantage of the single market. As regards outflows, French enterprises, especially the major French industrial and financial groups, took advantage of the lifting of exchange controls to establish themselves on European and US markets by purchasing enterprises. These trends slackened somewhat in the early 1990s, but in 1994 France was still the third-ranking country in the OECD area in terms of inward FDI, and ranked sixth in outward FDI. The level of foreign holdings is one of the highest in OECD countries.

For many years foreign investors have had to deal with numerous regulations and requirements, stemming both from specific legislation or regulations or more general regulatory provisions. As international competition intensified, FDI regulations were gradually relaxed and simplified, first within the framework of the Single Market and then the European Economic Area (EEA) and finally more progressively for investors from other countries, who were allowed to create enterprises before they could acquire them. Today, prior authorisation is required only for investments that pose a threat to law and order and public safety.

Statutory restrictions now apply only to air and maritime transport and certain activities and sectors relevant to national security. Non-EEA investors' access to some sectors may be subject to reciprocity considerations. This situation is in sharp contrast to the regulations prevailing in the early 1980s.

The involvement of public enterprises in the competitive sector and the existence of public monopolies in the telecommunications, transport and energy sectors have been a long-standing feature of the French economy. This situation is changing with the vast privatisation programme now under way and the implementation of Community directives on the deregulation and demonopolising of network services. Fourteen industrial, banking and financial groups (with combined turnover of FF 125 billion and 500 000 employees) were privatised in 1986-1988 and 5 other groups (with a combined turnover of FF 109 billion and 426 000 employees) have been privatised since 1993. The telecommunications sector should be entirely deregulated by 1998. These developments will ultimately transform the industrial fabric of France, although it is still too early to predict the full impact they will have, particularly on FDI.

This report is devoted to the regulations governing foreign direct investment in France. In Chapter 1, recent FDI trends in the French economy will be analysed. Chapter 2 will examine changes in French direct investment policy during recent years and the impediments or horizontal or sectoral factors that can still affect capital inflows. Chapter 3 will evaluate the impact the rationalisation of the State's role in the economy may have had on foreign direct investment. In Chapter 4, corporate private practices which can have a crucial influence on the conditions of access to French markets will be discussed. Chapter 5 will present the study's conclusions. Annex 1 presents France's current position *vis-à-vis* item I/A of the Capital Movement's Code (inward direct investment) and its exceptions and "transparency items" under the National Treatment Instrument. Annex 2 provides a list of Monopolies and Concessions. Annex 3 presents statistics on France's foreign direct investment and Annex 4 provides statistics on FDI in the OECD area.

Chapter 1

Foreign direct investment in France

A. Statistical data and methods

Statistics on *flows* of foreign direct investment in France (inward FDI) and French direct investment abroad (outward FDI) are compiled by the Banque de France and are included in balance of payment statistics.[1] Based on the concept of control or influence over the management of the enterprises in which the investments are made, these data must meet either of the following criteria:

- a shareholding interest of 10 per cent or more[2] in a legally independent unit (for example, a subsidiary) or the ownership of a branch office doing business in a country in which the investor does not reside;
- the granting of a loan or a short-term or long-term advance by a parent company to a subsidiary (loans by subsidiaries to parent companies are not deducted from this amount).

We should point out that this definition does not take into account reinvested earnings.[3] Nevertheless, in order to meet IMF and OECD recommendations, the Treasury Directorate of the Ministry of Economic and Financial Affairs and the Balance of Payments Directorate (Banque de France) are currently jointly developing a new evaluation method that will take account of the necessity to include reinvested profits, which should be published quarterly in the near future. The French authorities believe that direct investment figures will rise once reinvested earnings are taken into account.

Statistics on *stocks* are collected by means of surveys which are published yearly in the *Bulletin Trimestriel de la Banque de France*. Inward investment stocks, which were published for the first time in 1992, have been collected since 1989. They are based on data on shareholding interests of 10 per cent or more and on long-term loans or advances, and are calculated in book values (unlike flows, which are estimated in current value). The values of stocks can be subject to statistical discrepancies because of exchange rate variations between flows and stocks, and also appear to be underestimated.

The *country classification* of balance of payments statistics is by country of residence of the foreign creditor or debtor. For example, when an outward investment was channelled through a holding company which is itself a foreign subsidiary of a French company, the whole investment will be allocated to the intervening subsidiary and will thus not appear in the French balance of payments.

In order to determine the country of residence of the ultimate beneficial owner of the investment, the Treasury unit responsible for tracking FDI registers the transactions of which it is notified (see Chapter 2 on the regulation of FDI). These data, which are published annually in the *Notes bleues* of the Ministry of Economic and Financial Affairs, are an additional tool for analysing the geographical origin of investment flows. We should point out, however, that these statistics are not directly comparable with balance of payment statistics. In addition to the fact that these data only cover transactions subject to regulation and not FDI as a whole, they are based on planned investments rather than investments actually made. Furthermore, they are raw data and do not take disinvestment into account.

The industry data on *inward* FDI relate to the activities of affiliates, while the industrial classification of outward flows concerns the business of the investing enterprise. The collected data are based on notifications from banks regarding payments and statistical data provided by enterprises which directly declare their transactions abroad.

The impact of inward FDI on employment and on the various industrial sectors is estimated through the surveys of the Service of Industrial Statistics (SESSI) of the Ministry of Industry, while data on the number of workers employed by the foreign subsidiaries of French enterprises are collected by the Directorate for Foreign Economic Relations (DREE).

Lastly, various bodies, particularly the *Invest in France Network* and the Delegation for International Investment of the Ministry of Economic Affairs, Finance and the Budget co-operate closely in promoting inward FDI with the Delegation for Land Use and Regional Initiatives (DATAR), which is responsible for the various investment assistance programmes (see Chapter 2, Section C).

B. Foreign direct investment trends

Since the second half of the 1980s, inward and outward investment flows have expanded very substantially. This growth contrasts with the modest scale of investments. Inward FDI averaged $1.942 billion per year between 1973 and 1983, as compared with $7.930 billion between 1984 and 1994; yearly outward FDI averaged $2.044 billion between 1973 and 1983 and $12.599 between 1984 and 1994.

Beginning in the second half of the 1980s, France became considerably more attractive to foreign investors. At the same time, French enterprises began to make major investments in order to establish themselves abroad. Despite a slowdown in direct investment flows in the early 1990s, France remains a major player. In 1994 it was the third largest recipient of FDI in the OECD area, and the sixth largest investor. Stocks of investments held in France by foreign-controlled enterprises amounted to over FF 600 billion in 1993, and French enterprises had invested some FF 830 billion abroad.

The proportion of employment in companies controlled by foreign investors is higher than in Germany, the United States or Japan. Foreign penetration is especially important in small and medium-sized enterprises located in northern and eastern France.

i) Foreign direct investment in France

The rapid increase in inward FDI in the second half of the 1980s was part of a world-wide direct investment trend, which was also stimulated in Europe by the construction of the Single Market.[4] France became much more attractive to foreign investors because of the policy of increasing openness which begun in 1983. Also, growing demand and the significant drop in inflation and interest rates led to a sharp improvement in the investment climate. Despite the turndown in the world economy from 1990, inward FDI continued to grow at an annual average rate of 14 per cent between 1990 and 1992 (compared with 33 per cent between 1984 and 1990). However, this trend was reversed in 1993 and 1994, even though inward FDI was beginning to recover in the OECD area (+18 per cent in 1993 and 1994).[5]

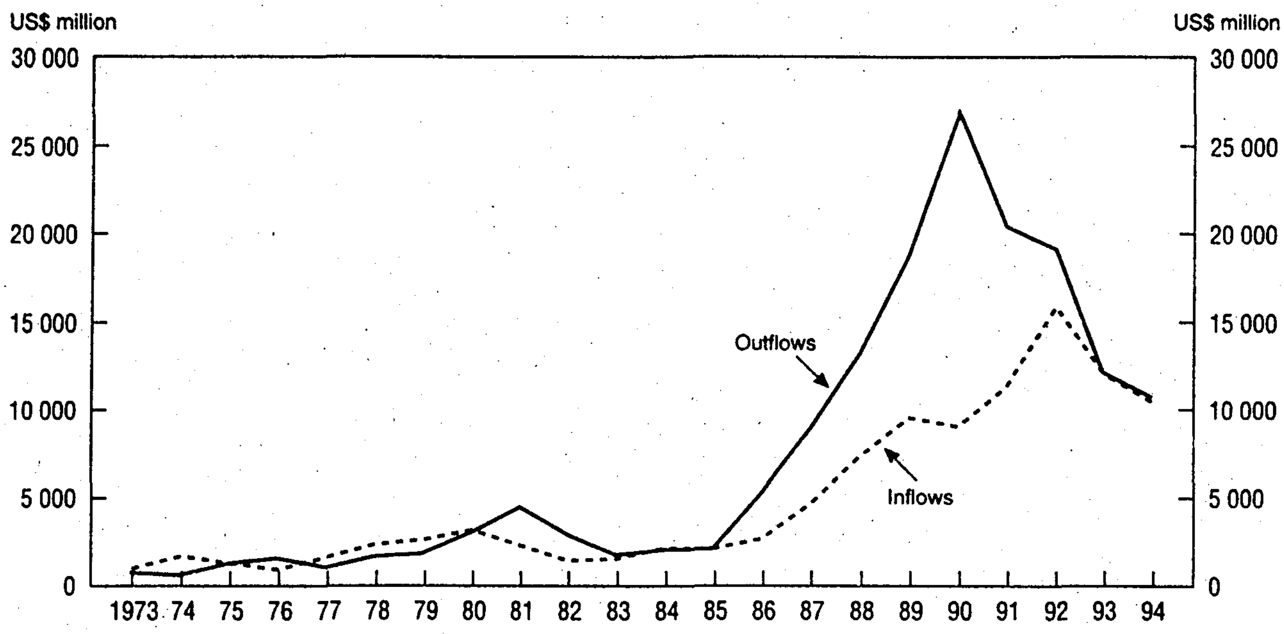
France is one of the main host countries for inward FDI. Its share of overall FDI inflows in the OECD area rose from 4 per cent between 1985 and 1990 to nearly 13 per cent between 1991 and 1993 (while the share of France's GDP in total OECD GDP fell from 6.8 to 5.9 per cent over the same period). In 1992,

Table 1. **Statistical indicators on foreign direct investment, 1975-1994**

	1975-1980 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Inflows of FDI (US$ billion)	2.128	2.426	1.563	1.631	2.198	2.210	2.749	4.621	7.204	9.552	9.040	11.073	15.928	12.142	10.955
Inflow growth (%)		–37.14	–55.21	4.17	25.80	0.54	19.61	40.51	35.86	24.58	–5.66	18.36	30.48	–31.18	–10.84
Outflows of FDI (US$ billion)	1.874	4.615	3.063	1.841	2.126	2.226	5.230	8.704	12.756	18.137	26.92	20.501	19.097	12.167	10.895
Outflows growth (%)		32.00	–50.67	–66.38	13.41	4.49	57.44	39.91	31.77	29.67	32.63	–31.31	–7.35	–56.96	–11.68
Net flows (US$ billion)	0.254	–2.189	–1.500	–0.210	0.072	–0.016	–2.481	–4.083	–5.552	–8.585	–17.880	–9.428	–3.169	–0.025	0.060
GDP (US$ billion)	470	582.4	551.7	525.7	499.1	523.2	731.8	888.2	962.9	965.4	1 195.3	1 201.3	1 324.3	1 250.9	1 329.3
GDP nominal growth (%)		–12.4	–5.6	–5.0	–5.3	4.6	28.5	17.6	7.8	0.3	19.2	0.5	9.3	–5.9	5.9
GDP real growth (%)		1.2	2.5	0.7	1.3	1.9	2.5	2.3	4.5	4.3	2.5	0.8	1.3	–1.5	2.7
GFCF (US$ billion)	137.1	116.6	95.1	79.1	67.2	67.4	91.4	110.5	122.1	123.0	148.2	143.1	147.8	130.2	134.3
GFCF growth (%)		–23.7	–22.6	–20.3	–17.7	0.4	26.2	17.3	9.6	0.7	17.0	–3.5	3.2	–13.5	3.1
Inflows of FDI as % of GDP	0.45	0.42	0.28	0.31	0.44	0.42	0.38	0.52	0.75	0.99	0.76	0.92	1.20	0.97	0.82
Outflows of FDI as % of GDP	0.40	0.79	0.56	0.35	0.43	0.43	0.71	0.98	1.32	1.88	2.25	1.71	1.44	0.97	0.82
Inflows of FDI as % of GFCF	1.55	2.08	1.64	2.06	3.27	3.28	3.01	4.18	5.90	7.77	6.10	7.74	10.77	9.33	8.16
Outflows of FDI as % of GFCF	1.37	3.96	3.22	2.33	3.17	3.30	5.72	7.88	10.44	14.75	18.17	14.32	12.92	9.35	8.11

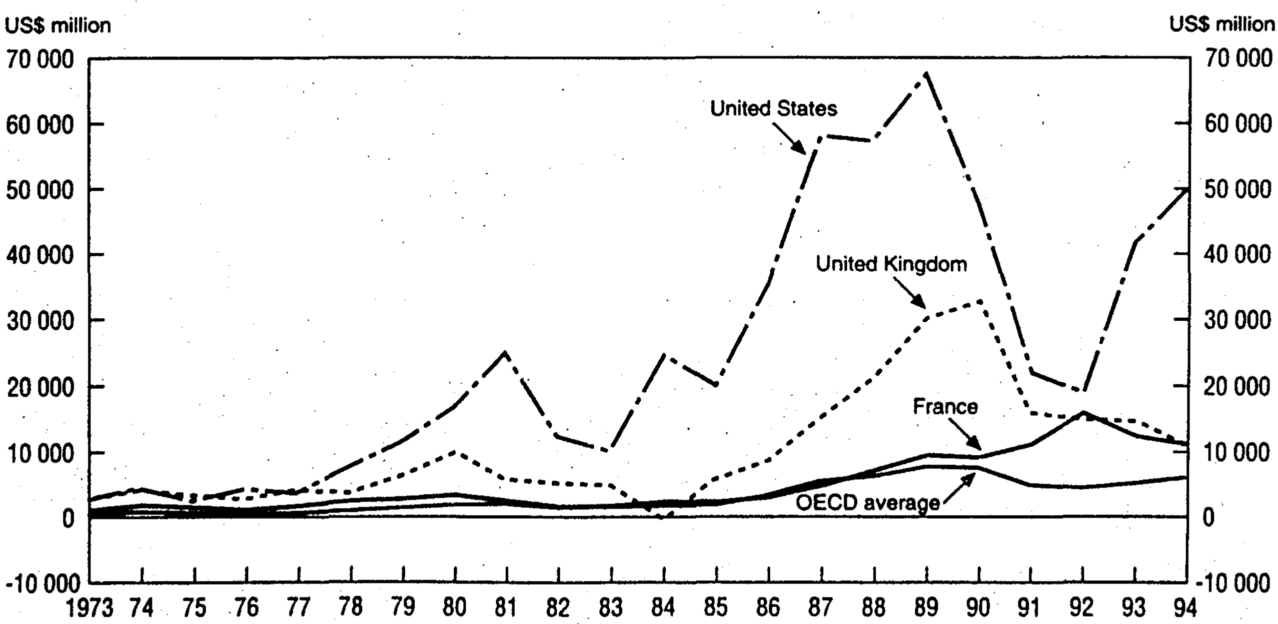
Source: OCDE/DAF – Based on official national statistics from the balance of payments converted into US$ at daily average exchange rate.

Chart 1. **Direct investment flows to and from France**
1973-1994



Source: OECD/DAF – Based on Balance of payments data.

Chart 2. **Foreign direct investment flows**
1973-1994



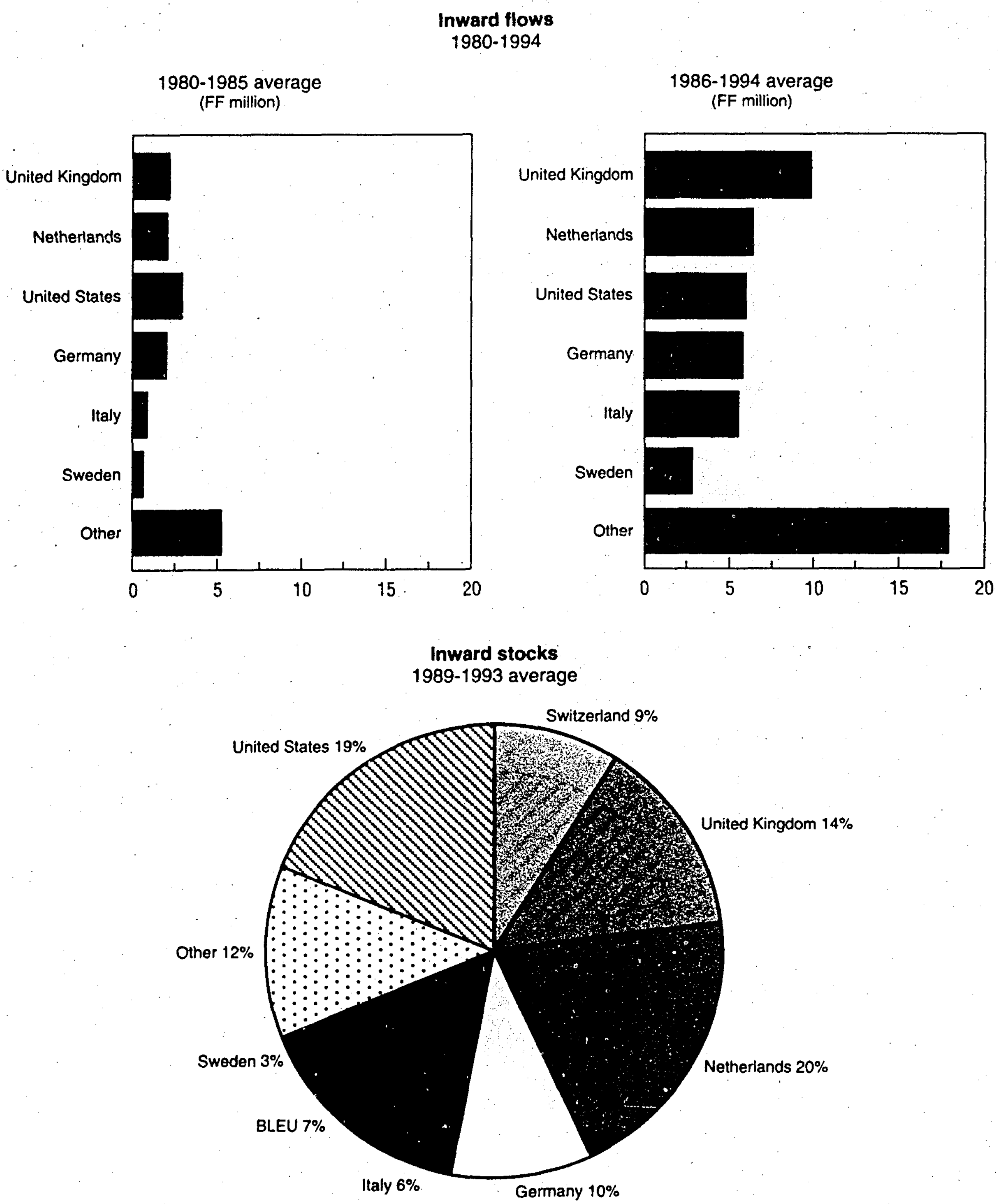
Source: OECD/DAF – Based on Balance of payments data.

France even ranked as the second recipient country with 17 per cent, after the United Kingdom with 19 per cent, of the overall inflows in the OECD area. With the slowdown of inward FDI in 1994, it moved back into third position, as in 1991, behind the United States and the United Kingdom (Chart 2 and Annex 4, Table 1).

Between 1986 and 1994, 96 per cent of FDI in France originated in OECD countries (Annex 3, Table 1). During this period, European enterprises were the major investors, accounting for nearly 80 per cent of inward FDI. EU countries,[6] which accounted for 65 per cent of inflows between 1986 and 1994 (as compared with 51 per cent between 1981 and 1985), held nearly 60 per cent of inward investment stocks in 1993. The contribution of the other European countries was lower (15 per cent of inward FDI between 1986 and 1994; 14 per cent of stocks in 1993). As Table 1 in Annex 3 shows, investment from the United States and Canada is decreasing (12 per cent of inflows between 1986 and 1993 as compared with 20 per cent between 1980 and 1985; 19 per cent of stocks in 1993). Direct investment from other OECD countries, consisting almost exclusively of one-off transactions[7] by Japanese enterprises (3 per cent of stocks in 1993), remained marginal (5 per cent of inward flows between 1986 and 1994). In all, five OECD countries held nearly 70 per cent of inward stocks in 1993: the Netherlands (19 per cent), the United States (19 per cent[8]), the United Kingdom (13 per cent), Germany (10 per cent), and Switzerland (9.5 per cent). If the assets of Belgium, Luxembourg, Italy and Sweden are added to these figures, nearly 90 per cent of stocks are accounted for (see Annex 3, Table 2).

Foreign enterprises mainly invested in the service sector between 1986 and 1994 (68 per cent of inward FDI and more than 60 per cent of stocks in 1993), especially in banking, financial and insurance services (27 per cent of inward FDI from 1986 to 1994 – see Annex 3, Tables 5 and 6). Since 1991, holding companies,[9] classified under a "specific" heading, have represented a growing share of inward FDI. They accounted for 18 per cent of inflows between 1991 and 1993 and for the largest share of stocks (28 per cent) in 1993, exceeding that of banking and financial services and insurance companies (21 per cent). At the same time, inward FDI in industry dropped from 31 per cent between 1980 and 1985 to 28 per cent between 1986 and 1994 (35 per cent of stocks in 1993). The industrial sectors (Chart 4) that have primarily attracted foreign investment between 1986 and 1994 are food, beverages and tobacco (7 per cent), chemicals and pharmaceuticals (4 per cent), electrical and electronic equipment (4 per cent) and transport (3 per cent).

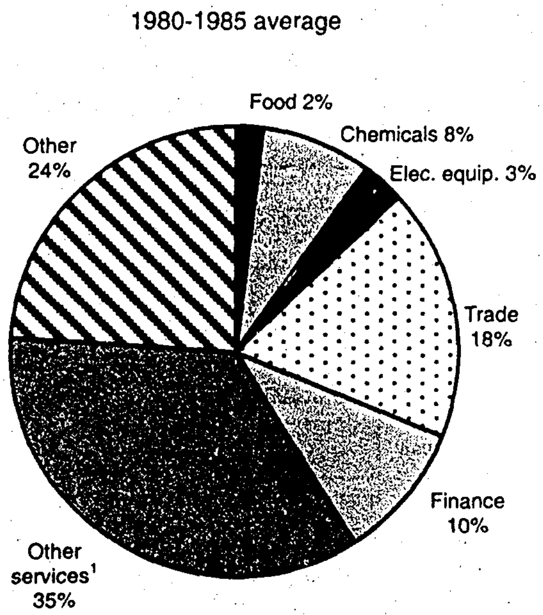
Chart 3. **Geographical distribution of foreign direct investment into France**

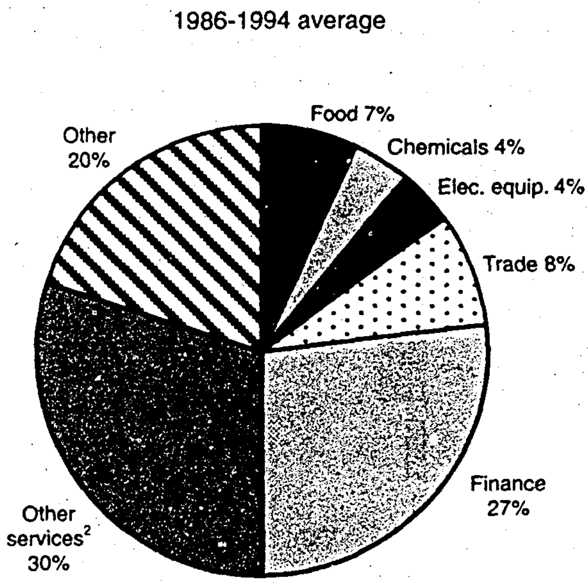


Source: OECD/DAF.

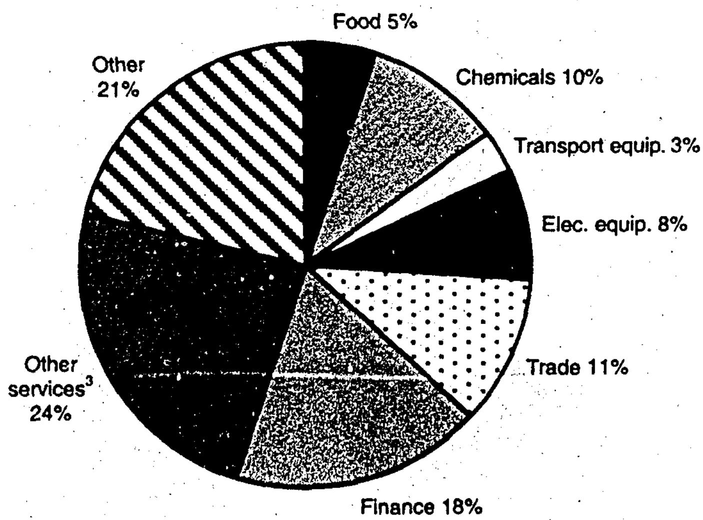
Chart 4. **Sectoral distribution of foreign direct investment into France**

Inward flows
1980-1994





Inward stocks
1989-1993 average



1. *Of which:* Holding companies (3%), real estate (18%).
2. *Of which:* Holding companies (12%), real estate (11%).
3. In 1992, Holding companies (22%), real estate (1%).

Source: OECD/DAF.

In all, over 2 million people were employed by foreign-owned enterprises in France in 1994.[10] The ratio of jobs created or maintained by foreign-owned firms is therefore comparable with that in the United Kingdom, but is much higher than in Germany, the United States or Japan.[11] Foreign-controlled manufacturing enterprise employed nearly 800 000 workers in 1994 and are, despite recent sectoral trends, still the most international companies.[12] The concentration was particularly high in the computer, pharmaceutical and basic chemicals sectors (where foreign subsidiaries' share in industrial employment is over 45 per cent).

Foreign-owned enterprises play a positive role in the French economy. Their productivity, profitability and technological levels are considerably higher than the average French firm's,[13] which means that they contribute to the transfer of technology,[14] higher productivity and the modernisation of managerial and technical capabilities, and help restore a favourable trade balance.[15]

From a geographical standpoint, foreign-controlled enterprises tend to be located in certain industrial areas of France. In addition to the region of Paris and Ile-de-France (15 per cent), they are also concentrated in three border regions: Alsace-Lorraine (14.5 per cent), Nord-Pas-de-Calais and Picardy (13.5 per cent) and Rhône-Alpes (11.6 per cent). Lorraine, for example, which was badly hit by the steel and coal crisis, was revitalised by the influx of foreign capital into the automobile and electronics sectors.[16]

Foreign investors employ on average 270 employees. More than half have opted for greenfield plants when setting up in France. Mergers and acquisitions, which accounted for approximately 40 per cent of inward FDI,[17] developed primarily in the later 1980s following the recovery of the French stock market.[18]

In all, inward FDI's share of GDP was approximately 0.4 per cent until 1986, and began to increase as of 1987, bringing the French FDI/GDP ratio into a median position with respect to its main partners (Annex 4, Table 2). The indicator for inward FDI in relation to gross fixed investment also followed an upward trend. The rapid growth observed in the late 1980s and early 1990s was the result of increased FDI inflows (Table 1). It should be kept in mind, however, that gross fixed investment began to drop in 1991, and that French productive investment fell to a near record low in 1993.

ii) French direct investment abroad

French direct investment abroad, which until 1985 had followed a similar trend to foreign investment in France, grew twice as fast as inward FDI between

1986 and 1990. Although it was facilitated by the liberalisation of exchange controls and the improved financial situation of enterprises, the increased investment abroad was primarily a reflection of the fact that France lagged behind its competitors in terms of the globalisation of its economy. With the subsequent slowdown in growth of the French and world-wide economy, this globalisation process also slackened. Nevertheless, France remains one of the main investors in the OECD area, down from third position in 1992 to sixth in 1993 (Annex 4, Table 3).

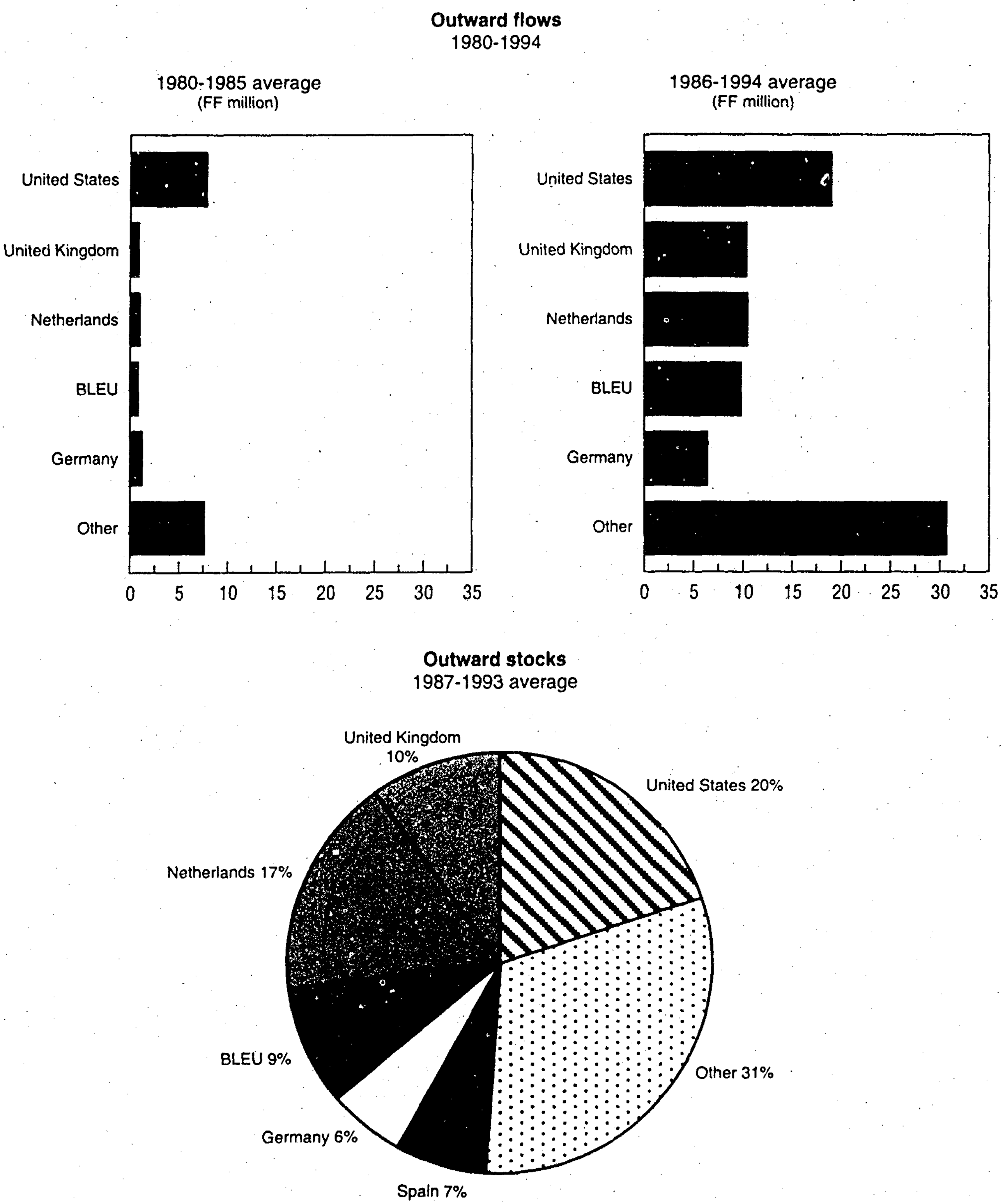
The increased FDI outflows had a significant impact on outward investment stocks. In 1993, these amounted to FF 833.8 billion, which was substantially higher than inward investment stocks (FF 608.4 billion in 1993). With 8 per cent of the OECD area's outward investment stocks, French enterprises were the fourth largest investor world-wide after the United States (29 per cent), Japan (15 per cent) and the United Kingdom (15 per cent) in 1992.

A distinctive feature of French direct investment abroad is that the bulk of it has been made by only a small number of companies. It has been estimated that of the 2 243 enterprises that made direct investments abroad in 1992, the first ten alone controlled a quarter of the investments and half of the stocks were held by the first thirty-one enterprises.[19]

French investments abroad are concentrated in the OECD area (84 per cent of FDI outflows between 1986 and 1994; 90 per cent of stocks of known origin in 1993) (Annex 3, Tables 3 and 4). Initially, the bulk of investment went to the United States (between 1980 and 1987, over FF 62 billion, compared with FF 45 billion in EU countries). From 1988, however, French investments were increasingly directed towards EU countries, which received 61 per cent of outward FDI between 1986 and 1994. During the same period, non-EU European countries received nearly 5 per cent of outward FDI and the United States 22 per cent. At the end of 1993, 61 per cent of stocks were concentrated in European countries, with 55 per cent in EU countries. As Chart 5 shows, the main countries targeted at the end of 1993 were the Netherlands (17 per cent), the United States (18 per cent), followed by Belgium and Luxembourg (10 per cent), the United Kingdom (9 per cent), Germany (6 per cent) and Spain (5 per cent). Although still only marginal, French direct investment in non-OECD countries increased between 1991 and 1993 – a time when French direct investment in OECD countries was declining – by nearly 10 per cent (24 per cent in 1993 alone).

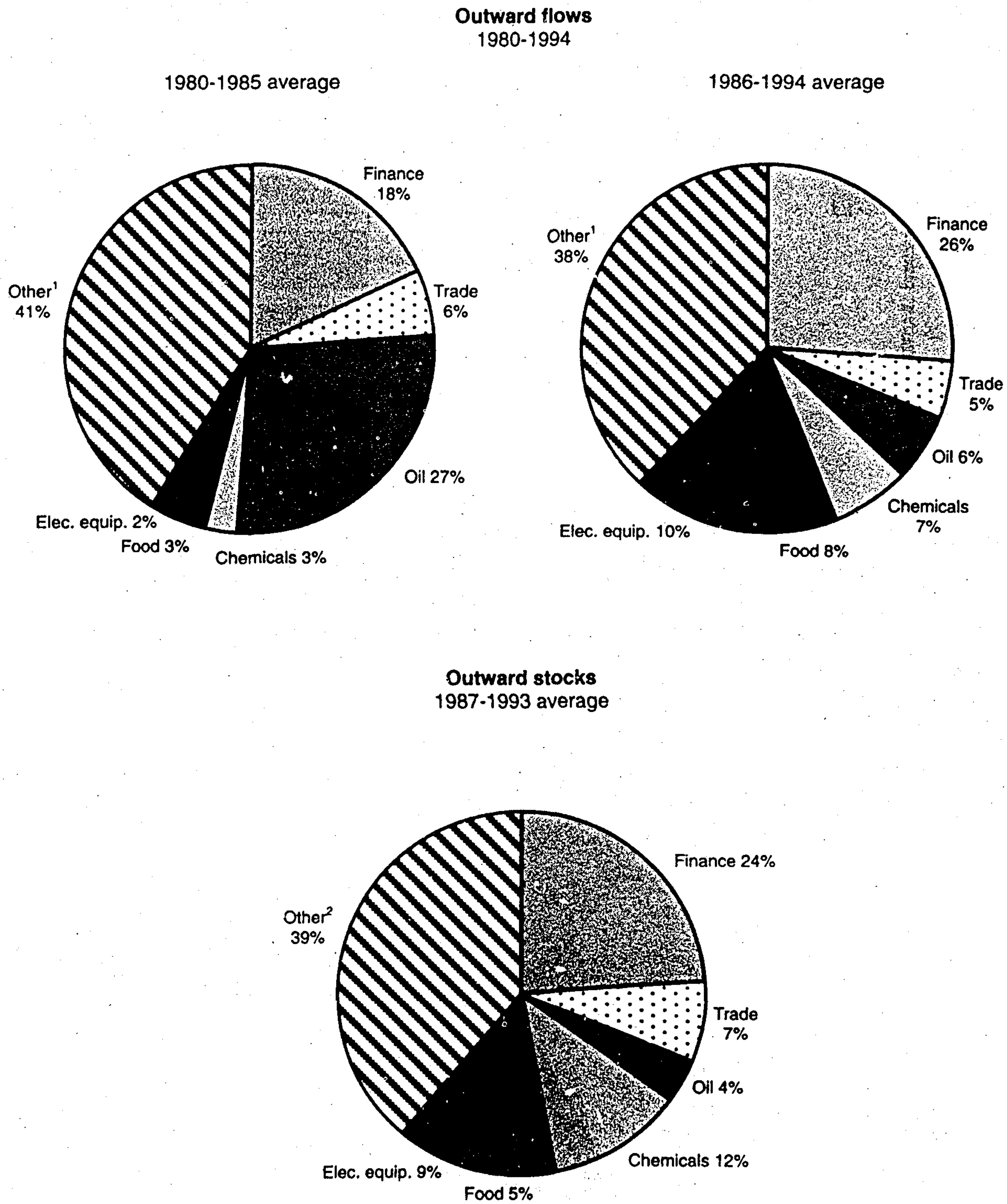
In line with the world-wide trend, the sectoral distribution of outward FDI has been increasingly oriented towards the service sector (Annex 3, Tables 7

Chart 5. **Geographical distribution of direct investment abroad**



Source: OECD/DAF.

Chart 6. **Sectoral distribution of direct investment abroad**



1. *Of which:* Holding companies (9%).
2. In 1992, Holding companies (13%), real estate (1%).

Source: OECD/DAF.

and 8; Chart 6), which accounted for more than 57 per cent of outward FDI between 1991 and 1994, compared with approximately 50 per cent between 1983 and 1990. This is partly a result of the priority that banks, financial institutions and insurance companies have given to establishing European networks.[20] There has also been an expansion of holding companies, especially in the Benelux countries, where there are special tax provisions. In the secondary sector, whose share of outward FDI dropped to 34 per cent between 1991 and 1994 (compared with over 40 per cent between 1986 and 1990), the main recipients of inward direct investment were the electrical and electronic equipment industry, the food, beverage and tobacco industry and the chemical industry. Investment in the primary sector, which has declined considerably over the past ten years, accounted for only 7 per cent of outward investment in 1986-1994 (compared with 28 per cent in 1980-1985).

As for the investment strategy of French enterprises, it would appear that their international expansion was conducted primarily via mergers and acquisitions. It is estimated that between 1988 and 1992, as much as 75 per cent of French direct investment abroad consisted of mergers and acquisitions.[21]

The DREE estimated that foreign subsidiaries of French enterprises employed some 2.4 million workers in 1993. In four years, the number of workers employed by them has increased by nearly 300 000 in the OECD area (+21 per cent), and an additional 74 000 workers have been employed in non-Member countries.[22]

Chapter 2

Regulations governing FDI

A. Overview

Foreign investments in France are subject to the same regulatory requirements as French investments. Foreign investors are able to establish themselves with the legal status of their choice (subsidiary, branch office, agency, representative office, etc.). Company law and the tax system allow companies to operate under conditions which are comparable to those prevailing in other European countries.[23] Foreign enterprises can finance themselves as they wish, either in France or abroad, and can repatriate their dividends and profits, make investments abroad or liquidate assets. Lastly, they are entitled to the same aid programmes which are available to national investors; these primarily concern hiring and training, the development of less-favoured regions, the restructuring of enterprises in difficulty, and research and development.

In addition, for many years foreign investors have had to deal with two types of regulations: *i)* a prior authorisation procedure, which was progressively liberalised for new enterprise creation and for all investments made by residents of EU and EEA countries; and *ii)* special sectoral provisions, which were primarily motivated by reciprocity considerations rather than by a deliberate policy of excluding countries, except in the communications and energy sectors, where there were restrictions on foreign ownership. In actual practice, the situation was more liberal than the regulations would imply, even when they were at their most restrictive during the early 1980s. This became increasingly true after each stage of liberalisation. Consequently, at the time of the OECD's examination, prior authorisation actually applied only to investment transactions posing a threat to law and order, and especially to capital of dubious origin. A number of reciprocity measures had been allowed to lapse. In July 1995, the Minister of Economic and Financial Affairs announced that the prior authorisation procedure still applicable to non-EEA investors was to be abolished. Under these new provisions, adopted in February 1996, all investors will henceforth be subject to a single system for foreign investments having an impact on the role of government, posing a threat to law and order or public health, or involving research, production or trade in armaments, munitions, gunpowder and explosive substances produced for military purposes, or military equipment.

At the sectoral level, however, non-EEA investors continue to be subject to certain legal restrictions which should be eliminated completely for EEA investments in air and maritime transport. Special considerations could also remain in sensitive sectors traditionally considered to be key French industries and/or which the government has specifically regulated in the past, such as the aerospace sector.

B. Prior authorisation

Prior authorisation is the feature of French FDI regulations that has been most frequently amended over the past decade. It is also the aspect that has been most often criticized in the past by foreign investors as being at variance with the principle of national treatment.

The liberalisation of these provisions began in 1986 with the gradual raising of the authorisation threshold for small and medium-sized investments, the removal of controls on financing operations, the abolition of prior authorisation for the establishment of subsidiaries, the introduction of complete freedom to invest for EU investors, the raising of the threshold and the simplification of examination procedures for acquisitions by EU investors, and, lastly, the extension of EU regulations to investments originating in EEA countries.

The most important step in this direction has just been taken with the government's decision to abolish entirely the prior authorisation applicable to non-EEA investors. The only exception to this principle will be investment projects that might pose a threat to law and order, public health and safety or that involve national defence sectors or might breach French laws or regulations. Penalties will be strengthened to prevent the law from being circumvented, but the French authorities have taken care to comply with international standards. As the Minister of Economic Affairs and Finance said when he announced the abolition of prior authorisation for non-EEA countries on 10 July 1995: "This decision to fully liberalise investment brings France into line with its European partners and is proof of (the government's) confidence in the competitiveness of the French economy." This measure entered into force in early 1996.

Prior to this decision, under the regulations in force, there were two separate sets of legal provisions, one for investors from EEA countries, the other for investors from other countries.

As the following table shows, investors from EEA countries who had permanent Community status were required to notify the French authorities only after they had made their investments in France. This applied to companies controlled by residents of EEA countries, and which had been established for at least three years and had a turnover of at least FF 1 million. EEA investors who did not meet these criteria had to make a prior declaration, and the Minister of Economic Affairs and Finance had 15 days to verify that they qualified as an EEA investor. Article 341 of the Circular of 15 January 1990 laid down the criteria by which an enterprise is considered to have Community status: over 50 per cent of the enterprise's share capital had to be controlled by investors from an EC country, or by a group of shareholders who had a controlling interest in the enterprise.

The regulations applying to non-EEA countries required prior authorisation for investments above FF 50 million or which concerned French companies with a turnover greater than FF 500 million. The investment was tacitly authorised, when this was required, after 30 days, unless the Minister of Economic Affairs and Finance exercised the right of postponement during this time. Otherwise, the Minister of Economic Affairs and Finance had 15 days to verify the nature of the investment.

The various measures taken to simplify the prior authorisation requirement and make it less restrictive had considerably reduced the number of cases examined by the French authorities. After 1990, approximately 1 500 to 2 000 authorisation requests were submitted annually, compared with 7 000 previously. On average, decisions were made in fewer than 12 working days. Only four cases were postponed in 1990, one in 1991, two in 1992 and six in 1993. No requests were refused in 1994.

The only reason why prior authorisation was still maintained for non-EEA investors was the French authorities' desire to prevent capital of dubious origin, and drug money in particular, from being laundered in France, and more generally by considerations of law and order. The deadlines for ruling on cases (either 15 days or one month depending on the case) were made very short so as not to hold up perfectly legitimate investment projects.

Synoptic Table 1. **Regulations applied before the abolition of prior authorisation**

1. EU and EEE investors

a. Having permanent EU status
- free to invest
- no advance notice
- *post facto* notification

b. Others
- free to invest
- advance notice required
- two week period for verification of EU or EEE status

2. Non-EU investors

a. Investments of less than FF 50 million in firms with a turnover not exceeding FF 500 million
- free to invest
- advance notice required
- two week period for verifying thresholds (costs and turnover)

b. Other investments
- advance notice [1]
- clearance tacit after one month unless postponement is ruled

Note: Operations affecting law and order, public health or national defence interests require advance clearance, whatever the amount and origin of investment.
1. Except for certain operations with exemption by memorandum.
Source: Adapted from *Guide pratique pour l'implantation d'entreprises en France*, the National Committee of the International Chamber of Commerce, Paris, 1994.

The fact remains that the regulations required investors from the vast majority of countries (including EU and EEA countries) to obtain prior authorisation for all investments relating to the role of government or affecting public health, safety or law and order, or involving the production of or trade in armaments, or whose effect was to breach French laws and regulations. As a result, the distinction between the treatment of EEA investors and others had in practice become artificial. On 10 July 1995, the Minister for Economic Affairs and Finance announced the abolition of prior authorisation for non-EEA investors, since problems stemming from the illegal use of capital could now be dealt with by the general provisions of the 1966 Act on Financial Relations Abroad, which had been strengthened with regard to breaches of regulations. Synoptic Table 2 summarises the provisions of the new system.

In the future, all foreign direct investment in France will be free; only administrative notification will be required for statistical purposes at the time the investment is made and to verify that the transaction has actually taken place. This system will not apply to investments in France in activities that are related, even if only on a temporary basis, to the role of government or that affect public health, safety or law and order, or that involve research, production or trade in armaments, munitions, gunpowder and explosive substances produced for military purposes, or military equipment. Such investments will continue to be subject to prior authorisation by the Minister for Economic Affairs and Finance. This authorisation will be deemed granted one month after the investment notification is received, unless the Minister decides to postpone the operation in question during this period. The Minister may waive his right of postponement before this period expires. He will also be empowered to issue decrees dispensing enterprises already under foreign control from the administrative notification and authorisation requirement for additional transactions or transactions concerning certain activities. Any investor who has failed to file the required administrative declaration or authorisation application will be subject to a fine. The Minister will also be able to annul an investment that he would have denied if the new procedures had been observed.

Synoptic Table 2. **New regulations**

1. **General system**
   - freedom to invest;
   - no distinction between investors from countries having permanent EU or EEA status and all other investors;
   - administrative notification is filed when the investment is made
2. **System of authorisation***
   - prior notification;
   - tacit authorisation after one month, unless the Minister for Economic Affairs and Finances exercises his right of postponement;
   - fines for failure to file the required prior notification or to obtain the required prior authorisation;
   - order by the Minister to cease operations (legal nullity in the event of refusal) which would not have been authorised had they been duly notified.

* *Applies to investments in activities in France that are related, even if only on a temporary basis, to the role of government or that affect public health, safety or law and order, or that involve research, production or trade in armaments, munitions, gunpowder and explosive substances produced for military purposes, or military equipment.*
Source: OECD/DAF.

The investor can appeal through the normal channels if an investment is refused. An administrative decision may be contested in the administrative courts up to the Council of State at final instance.

The concept of "ultimate or effective" control of the investment will remain the decisive consideration for the implementation of the new regulations. The nationality of an enterprise will continue to be determined with respect to the place of residence of its owners and not to their nationality or the place of incorporation of the enterprise.[24] Consequently, an enterprise A will still be considered to be under foreign control if more than 20 per cent of its share capital is owned directly by non-residents, or if it is purchased by an enterprise B whose share capital is held either to the amount of more than 20 per cent by non-residents, or by an enterprise C whose share capital is held to the amount of more than 50 per cent by non-residents. In the case of unlisted enterprises, an enterprise will still be considered to be foreign-owned if the share owned by non-residents is equal to 33.3 per cent or more. Commercial law provides for additional criteria (nationality of members of the Board of Directors, voting rights, commercial ties, etc.) in determining the nationality of the enterprise.

France is to be congratulated for having abolished prior authorisation. This measure eliminates the most questionable discriminatory aspect of French FDI regulations. It does away with the shortcomings criticised in the past, *i.e.* the uncertainty and delay inherent in a review of investment applications, the lack of transparency of rulings, the possible need to change investments projects and potential conflicts of interest with French enterprises. The Government's decision brings France into line with the majority of OECD countries that do not require prior authorisation and enhances France's image as a country that welcomes FDI. Lastly, it substantially reduces the number of France's reservations and exceptions to the OECD FDI instruments (see Annex 1).

C. Aid to investment[25]

France grants a certain number of subsidies to investment. These programmes concern primarily employment and training, the development of disadvantaged regions, reconversion of enterprises and research and development. Although the amounts involved are smaller than in other countries,[26] aid is generally designed to encourage the creation of new enterprises or in some cases acquisition of shareholding in enterprises in difficulty. Although the central government is the principal provider of funds the decentralisation policy has also promoted the implementation by regional authorities of economic development strategies.

Foreign investors can have access to these programmes under the same conditions as national enterprises. The commitments that foreign enterprises may be required to undertake in order to obtain aid comply fully with the international agreements ratified by France, including the Agreement on Trade-Related Investment Measures of the Uruguay Round. Monitoring to ensure that enterprises live up to their commitments is based on ordinary law.

It is difficult to measure the effectiveness of these aid programmes, but the strong competition for new investment world-wide, and especially in Europe, has led to a more frequent use of them. Some 500 people are currently working in the field of FDI promotion and prospection in France.[27] The government has made a special effort in recent years to improve co-ordination and co-operation between the various services and agencies concerned and to be more responsive to investors' needs.

i) National assistance to territorial development

The territorial development subsidy (Prime d'aménagement du territoire – PAT) is an infrastructure subsidy granted by the government to French and foreign business enterprises carrying out classified territorial programmes that meet given criteria concerning their nature, size and impact on employment and their localisation. This assistance is regulated by a government decree of 6 May 1982, amended by a decree of 22 July 1987.

The subsidies are granted for manufacturing activities and a few tertiary activities considered as design and management activities: studies, engineering, corporate headquarters. To qualify for assistance, projects should correspond to programmes of a certain size and lead to the creation of jobs. Where manufacturing activities are concerned, such projects imply, as a general rule, a total investment of more than FF20 million.

The PAT can vary between FF 35 000 and 50 000 per job created. It can in no case be higher than 17 per cent or 25 per cent of the investment. An analysis of the programme's financing will determine the level of assistance accorded. The areas in which the aid is granted may not be the same for manufacturing and services projects.

Applications for aid have to be submitted to the DATAR. They are then examined by a financial expert. The Ministry for Economics and Financial Affairs, the Ministry for Employment and the corresponding technical ministry(ies) are consulted. Final decisions are, on average, taken within three months from the date of application.

A tax exemption can also be granted to enterprises locating in "Priority Investment Zones" (PIZ). The PIZ tax benefit cannot be cumulated with the territorial development premium (PAT).

Spending on territorial development subsidy now exceeds FF 1 billion.[28]

ii) Conversion companies' aids

The conversion companies of major industrial groups (such as Électricité de France, Usinor-Sacilor, Charbonnages de France, etc.) also propose a number of aids aimed at encouraging the industrial development of their environment. These aids involve yearly expenditures of several million francs which may take the form of loans at preferential rates, subsidies for the creation of jobs or assistance in the form of expertise and advice (drawing up financial schemes, equity participation).

iii) Local authority aids

Local authorities (regions, departments, townships) can encourage the growth of new activities by means of various types of assistance. Such assistance, which may vary substantially from one authority to another, may concern the price of land, water and electricity connections, the renting or sale of commercial buildings. In addition, in a number of regions qualifying for the territorial development subsidy, local authorities may grant partial or temporary exemption from business tax (taxe professionnelle).

iv) Employment and training aids

France grants a number of financial incentives to promote the creation of jobs, which in some cases result in savings on wages, total or partial exemption from employer's social security contributions and reimbursements of training costs. Specific programmes include access to jobs through training courses, sandwich course for young workers, return to work of long time unemployed, employment of specialised staff, adaptation and training of wage-earners, the commitment to develop training and the employment initiative contract. The regions may also intervene through the Regional Fund for Training Assistance (FRAC).

v) Research-development aids

The National Agency for the Promotion of Research proposes two types of aids: assistance to creators of technology-based enterprises and assistance with the launching of an innovation programme. The assistance for creating technology-based enterprises can attain FF300 000 and finance up to 75 per cent of expenses.

Industrial and commercial enterprises are allowed to deduct from profit taxes a sum equal to one half of the increase in their R&D expenses over the current year, as compared to the two previous years, adjusted in line with the yearly average index of consumer prices.

Research and development accounts for 3 per cent of French GNP. French enterprises in aerospace, chemicals, pharmaceuticals, telecommunications and packaging are among the most successful in the world. France is also in a very good position in advanced technologies such as composite materials, medical and environmental technologies and electronics, due in part, to its heavy investment in technology parks and research facilities.

D. FDI promotion and prospection

Over recent years, prospecting and welcoming foreign investors in France have acquired, as elsewhere in Europe, an increasing economic importance. As a result, the government and various economic development actors (industrialisation committees, local development agencies, reconversion agencies and various companies) have mobilised themselves to implement a single and consistent policy for promoting foreign direct investment in France.

In January 1992, the position of Ambassador-delegate for international investment was created to promote prospecting abroad and to facilitate the implementation of new investment projects in France. The Ambassador-delegate in charge of international investment is responsible for the co-ordination and encouragement of actions undertaken by government departments and local authorities which are aimed at making France attractive to foreign investors.

The Ambassador works closely with DATAR which has a network of offices in foreign countries [Invest in France Agencies (IFA)], to attract investors to France and facilitate their establishment in its territory.

The Ambassador and the IFAs rely on the services of Invest in France Network (IFN), an association grouping most of the development agencies in

France: industrialisation committees, development agencies, reconversion agencies and various companies. The IFN organises joint actions with the IFAs and provides them with up-to-date means of information (databases) and promotion. The IFN is a strategic contact for foreign investors.

Finally, the Foreign Investment Observatory was created in 1993 to analyse the investment strategies of international corporations, the attractiveness of regions to investors and the prospecting methods of competing countries.

E. Sectoral measures

Except for air and maritime transport and the defence sector, FDI is no longer subject to any sectoral restrictions on shareholdings, and even the restrictions in the air and maritime transport sector will ultimately be abolished, at least for investors from EEA countries. All other sectoral restrictions have already been lifted for these investors. However, non-EEA investors' sectoral access may still be affected by reciprocity conditions. France seems to impose reciprocity requirements more extensively than other OECD countries, although many of these requirements have been allowed to lapse or are no longer enforced in practice. The temporary suspended application of reciprocity conditions in the financial sector in accordance with the agreement reached in Geneva on financial services in July 1995 has reduced the scope of these provisions. However, reciprocity may still be sought in the telecommunications, audio-visual communications, publishing, hydrocarbons, waterfalls, and tour guide-interpreter sectors.

i) The banking and financial sector

With a view to making the French financial system more efficient and competitive in comparison with other international financial centres, the government has undertaken some major reforms in recent years.

To ensure greater competition between financial institutions, measures have been taken such as the unifying of the credit market, the deregulation of interest rates and financial channels, the development of new financial products and the opening up of markets to foreign competition. Furthermore, in compliance with the Maastricht Treaty, the status of the Banque de France has been modified to ensure its independence. Lastly, state-controlled banks have been key targets of the privatisation programme, and some major French financial institutions have returned to the private sector since 1986.[29]

However, it should be mentioned that, despite the State's substantial disengagement from this sector, it has recently had to recapitalise various banks, including several that were listed in the 1993 privatisation programme.[30]

The modernisation of the financial system, the growth of multinationals and the large available reserves of savings are the main factors which explain why an increasing number of foreign banks have established branches or subsidiaries in France. Nevertheless, this increase remained relatively modest due to the fact that France is over-endowed with banks.[31]

In 1994, there were some 412 banks in France, of which 186 were foreign (94 from EU countries and 24 from the US). If we take into account other financial institutions (such as securities firms), there were 1 608 establishments, of which 300 were foreign (169 from EU countries and 29 from the US).[32] In all, foreign institutions held nearly 9 per cent of total assets and almost 4 per cent of total loans.

Foreign banks generally have few deposits and largely obtain their financing on the interbank market. Furthermore, they grant few loans, and these are primarily intended to finance the activities of enterprises from their country of origin (in particular, to finance foreign trade between France and their home country). Securities transactions are generally limited in volume, whether as assets or liabilities. The exceptions to this rule are some long-established foreign banks, subsidiaries purchased from French banks and banks specialising in market activities (for example, treasury securities specialists), whose activities are comparable with those of their French counterparts.

Under French regulations, the branch offices and subsidiaries of foreign banks are subject to authorisation, and branches must at least have a capital base equal to the minimum required for companies established under French law.

The current legal and regulatory provisions allow for only one exception to these authorisation requirements, and it concerns banks whose head office is located in another EEA member country. Since the entry into force of the single banking market on 1 January 1993, the banks of countries bound by the Second Banking Directive have unrestricted access to the French banking market. Concretely, the harmonisation and mutual recognition of authorisation enables banks from EU countries and, since 1 January 1995, from Norway, Iceland and Liechtenstein, to operate in France either through cross-border transactions or by establishing a branch office.

Articles 8 and 9 of the EU's Second Banking Co-ordination Directive allow France or the European Commission to take into account considerations of reciprocity when examining applications for establishment from banks from non-EEA member countries. However, in application of the Financial Services Agreement adopted in Geneva in July 1995, this provision, even though it had never led to a refusal of an authorisation,[33] was suspended for the duration of the agreement, *i.e.* until the end of 1997.

In order to be lead manager of securities issues, in particular with regard to bookkeeping, a foreign bank must receive authorisation from the Ministry of Economic Affairs and Finance. This authorisation is granted subject to effective reciprocity for French banks in the bank's country of origin and provided that it has adequate human, financial and material resources for syndication and issuance to be arranged in France. However, foreign banks can act as co-lead manager or associate lead manager for issues or debt instruments denominated in French francs.

ii) Insurance

The insurance sector, characterised by the strong expansion of life insurance and the high proportion of mutual insurers operating without middlemen in the mass non-life insurance market, is supervised by the Commission of Insurance Supervision and the Ministry of Economic and Financial Affairs.

This sector has long been dominated by major nationalised companies. The 1993 privatisation programme has, however, led to the State's withdrawal from a number of major companies in the insurance sector. The sector's largest company, Union des Assurances de Paris (UAP) was privatised through a public offering in spring of 1994.[34] Assurances Générales de France (AGF) and the Groupe des Assurances Nationales (GAN) are also to be sold, and the capital of the Caisse Nationale de Prévoyance is to be opened up to the public.

There are some one hundred foreign-owned insurance companies (branches and subsidiaries) specialising in life and non-life insurance lines. With the purchase of Victoire by the British company Commercial Union in 1994, foreign companies' share of the insurance sector's overall turnover rose to 15 per cent (compared with 9.4 per cent in 1993).

The subsidiaries of foreign groups often target a specific market segment for specific products or branches. Unlike the banking sector, in which foreign banks are more profitable than national ones, foreign insurance companies are less profitable than French insurance companies. It should also be mentioned that the insurance companies listed as "foreign" by the French Federation of Insurance

Companies (FFSA) are primarily European companies, which have often been established in France for many years. There are relatively few non-European insurance companies in France.[35]

The establishment of EU insurance companies in France is part of a process of legal harmonisation and simplification of the European market. Since the late 1980s, EU directives have laid the groundwork for a single insurance market, first by establishing the freedom to provide services in the field of major risks ,[36] and next by implementing the "single passport" in July 1994.[37] At present, all companies from EU countries can sell their products either by establishing themselves in another country or by carrying out cross-border transactions, under the sole supervision of the authorities of their country of origin.[38] These provisions were extended to Norway, Iceland and Liechtenstein in accordance with the EEA agreement.

In practice, European insurance companies prefer to establish a company directly or to acquire existing companies. First, the lack of harmonisation of tax and regulatory systems and the heterogeneity of demand requires the maintenance of specific national products. Furthermore, since insurance is a locally based service, a local commercial network is a necessity. French insurance companies were active participants in the vast wave of mergers and acquisitions.[39]

The criteria of "market needs", which could be taken into consideration in authorising enterprises whose head office was located in a non-EU country (Article R 321-12) was rescinded in 1993.[40] However, the establishment of branches or subsidiaries of insurance companies whose head office is located outside the EEA and the Swiss Confederation still requires a special authorisation and the appointment of a general agent. Moreover, these enterprises may be required to provide deposits or guarantees if their country imposes similar requirements on French enterprises or has done so in the past. As in the banking and financial sector, the Financial Services Agreement adopted in July 1995 suspends this provision, even though authorisation has never been denied,[41] until the end of 1997.

Insurance brokerage may be engaged in only by French nationals, nationals of an EU or EEA Member State or nationals of a country in which French nationals are legally allowed to act as insurance brokers, or by individuals covered by an international convention assimilating them to French nationals (Article R 513-1 of the Insurance Code for brokerage).

iii) Transport

Air Transport

The conditions of access to transport activities and the exercise of traffic rights are laid down by Community Regulation 24/07/92 of 23 July 1992. The authorisation to engage in activities in this field is granted when the enterprise is owned, either directly or through a majority holding, by nationals of EU or EEA countries.

EU regulations govern access to domestic and international intra-EU markets. The liberalisation of domestic intra-EU services is still limited to so-called ''consecutive'' cabotage, and Community carriers are only allowed to use 50 per cent of their capacity. In accordance with Directive 148/92, this restriction should normally be lifted in 1997 for EU countries. International intra-EU services have been liberalised since 1 January 1993. Access to domestic lines by licensed carriers in a Member state may be regulated.

The two French publicly-owned airlines are facing growing competition because of EU deregulation. Air Inter's monopoly of domestic services is increasingly being called into question with the opening up of domestic lines to competition from private French airlines such as Air Liberté and Air Outre Mer, or European airlines such as TAT. The intra-EU international routes operated by Air France, the publicly-owned monopoly responsible for international routes and which was on the 1993 list of companies to be privatised, have now been fully liberalised.

As laid down by Article 7 of the Chicago Convention, the State has full authority with regard to cabotage (Article 330-2 of the Civil Aviation Code). However, this no longer applies to EU and EEA carriers.

Finally, the EU's commitments under GATS concerning ground services have been applied to all OECD countries, particularly in the field of computerised reservation services and ground servicing and maintenance.

Maritime Transport

The conditions for registering ships in France are laid down by the Act of 3 January 1967 (amended by the Act of 29 April 1975). Under these provisions, a ship may fly the French flag and be registered in France if it is at least 50 per cent owned by French nationals or is fully controlled by a company which has its registered head office in France.

Moreover, under the new provisions in force, non-EU enterprises no longer require a specific authorisation either to engage in shipping or to acquire a shareholding or controlling interest in a French shipping company.

Finally, in accordance with EU regulation 35-77 of 1972, cabotage is gradually being opened up to vessels registered in EU and EEA Member countries. It is planned to allow complete freedom to engage in cabotage for EU and EEA vessels from 1 April 1997.

Road transport

The Decrees of November 1949 and June 1961, which laid down that only EU nationals or nationals of a country that granted reciprocity could engage in road transport and vehicle rental or act as forwarding agents, are no longer enforced.

iv) Telecommunications

Up to 1986, there was a complete monopoly of the telecommunications sector in the field of equipment, services and infrastructure networks. However, following the implementation of a number of deregulation measures within the Community framework, activities reserved to the public operator – France Télécom – now comprise only voice communications, telephone services between fixed points[42] and the establishment of public-access networks.

In accordance with the 1987 green paper, the ONP (Open Network Provision) directive, and the 1989 service directive, the terminals market and services to enterprises or closed groups of users have been completely liberalised. Public services have also been partially opened up to competition.[43] In particular, the Minister for Telecommunications may authorise, subject to compliance with certain requirements, persons other than the public operator to operate a radioelectric network. But the stake of a non-EEC investor in a company that wishes to obtain a licence to set up and operate a radioelectric network with a view to providing a telecommunications service to the public is limited to 20 per cent of the capital or voting rights [Law of 29 December 1990 (Article L33-1) of the Posts and Telecommunications Code]. This restriction may be lifted in the event of an agreement signed by France which contains a reciprocity clause.

In conformity with EU policies and with the full support of the French authorities, the Direction Générale des Postes (DGPT) will take all necessary steps to ensure that there is effective competition within French telecommunications infrastructures and services by 1 January 1998.

v) Audio-visual communications

All enterprises in the audio-visual sector (private television, private local radio, teledistribution networks) must obtain an authorisation. The system of licences was abolished on 1 June 1995 by the agreement on terrestrial Hertzian television services signed between the Conseil Supérieur de l'Audiovisuel (CSA) and Canal Plus.

Non-EEA investment in companies authorised to operate a terrestrial radio or television service in the French language (90 per cent of households in France receive such a service) is limited to a total of 20 per cent of the capital or voting rights (this requirement does not apply in the case of foreign-language television).

vi) Publishing

The rules on investment in the publishing sector are set forth in Act No. 86-897 of 1 August 1986. According to this Act, foreign firms under non-EU control may not acquire more than 20 per cent of the equity capital or voting rights of an enterprise that publishes French-language periodicals. (This measure does not apply to foreign-language publications.)

vii) Travel and tourism

Conditions for engaging in activities relating to the organisation and sale of travel services were redefined by Decree No. 94/940 of 15 June 1994 (issued in application of Act No. 92/645). Licensing is no longer contingent upon reciprocity but subject only to requirements in respect of professional competence, financial guarantees and professional liability insurance (although such insurance must be written by a company having its headquarters or a branch office in a Member State of the EU or the EEA).

The right to work as a national or regional tour guide/interpreter or as a national lecturer is subject to successful completion of a test of professional competence and, for nationals of non-EU and non-EEA countries, is still subject to reciprocity. Accordingly, the relevant national authorities must issue formal certification that French nationals have the right to take up and effectively pursue the same professions in those non-EU or non-EEA countries.

viii) Agriculture

Acquisition of vineyards by nationals of non-EU countries remains subject to prior authorisation.

Moreover, authorisation by the Directeur Départemental de l'Agriculture (DDA) is required before non-EU nationals (Decree 54-72 of January 1954) and non-Swiss nationals (bilateral agreement of 31 August 1946) may undertake an agricultural enterprise.

It should be mentioned that public bodies – Société d'aménagement foncier et d'établissement rural (SAFER) – may exercise a right of non-discriminatory pre-emption in any sale of agricultural land. The purpose of this provision is to prevent farmland from being diverted to other uses (in particular when a prospective buyer makes an offer far in excess of what local farmers would be able to pay).

ix) Hydrocarbons and waterfalls

Lastly, investment by non-residents originating in non-EU Member countries is subject to international agreements containing a national treatment or reciprocity clause for the exploration and exploitation of hydrocarbons pursuant to EU Directive 94/22/EU, which governs the conditions of granting and using authorisations to explore, exploit and extract hydrocarbons. EEA countries are treated as EU countries.

In respect of waterfalls, the Act of 12 March 1970 stipulates that any buyer, whether a natural or a legal person, must be established in a Member State of the European Community. This law complements 1946 legislation, which establishes a monopoly above 8 000 Kw.

x) National security

Apart from the authorisation regime discussed in Section B of the present chapter, the French regulations allow the government to intervene on national security grounds in a small number of sectors and activities.

In the aerospace sector, the government reserves the right to restrict the conditions governing the creation, expansion or operation of foreign-controlled enterprises engaging in aerospace construction.

National treatment is not applicable to fields supervised by the Atomic Energy Commission (Commissariat à l'énergie atomique). The use of artificial radio elements, the operation of nuclear plants and liquid waste treatment plants are subject to prior authorisation. The government expressly reserves the right to amend regulations on nuclear activities, in particular as regards issuing permits to operate uranium mines or to possess or use fissile materials.

The principle of national treatment does not apply to enterprises whose activities involve directly or indirectly national defence and armaments. The government reserves the right to take any measure either to restrict the creation, expansion or operation of foreign-controlled enterprises, or to require these enterprises to provide any guarantees it may deem necessary. Furthermore, domestically-owned enterprises may be given preference as regards procurement by the armed forces of products specifically intended for military purposes.

Chapter 3

Rationalisation of the state's role in the economy

A. Overview

Apart from macroeconomic and regulatory efforts, in recent years France has undertaken a policy of disengagement from the productive system. Although the initial attempts were hampered by the 1987 stock market crash, the 1993 privatisation programme made disengagement a cornerstone of French economic strategy. Moreover, further privatisation is one of the priorities of the new government which took office in May 1995.

Ultimately, this policy should radically alter the fabric of French industry, especially if, as is planned, the withdrawal of public enterprises from the competitive sector is total, and if privatisation starts spreading to the big monopolies. This process of change is conducive to FDI, since it widens the range of eligible activities.

France has long been directly involved in the production of goods and services. The concept of the State as provider first took shape at the turn of the century when the notion of public service took on industrial and commercial dimensions.[44] Just after World War II, the State took over from private enterprise with regard to practically all the infrastructure and administration of community services. The big State monopolies – Électricité de France (EDF), Gaz de France (GDF), Commissariat à l'Énergie Atomique (CEA), Société Nationale des Chemins de Fer (SNCF) and the Postes, Télégraphes, Téléphone (PTT) – were set up; today they still dominate the energy, transport and telecommunications sectors.

Participation of public enterprises in the competitive sector became another instrument of industrial and economic policy. This commitment was first manifest in participation in strategic or high-tech activities such as automobiles, computers and electronics, shipbuilding, aerospace and armaments. It culminated with the nationalisations of 1982, the purpose of which was to "give new impetus to all productive activities and spearhead a great industrial policy".[45] In the wake of these nationalisations, public-sector enterprises represented 20 per cent of the assets, 23.3 per cent of the value added, 31 per cent of the capital investment and 34.4 per cent of the exports of French industry.[46] Even today, the French public sector is one of the most preponderant among OECD countries. At the end of 1993, the State wielded direct control over 98 groups (so-called first-tier enterprises), which, including their subsidiaries, represented 2 652 French companies and 1.6 million employees.[47]

But the economy evolves and circumstances change. Although this policy of government involvement was considered desirable at the time and should be given credit for some major achievements, it must be understood in the context of the level of economic development at that time and France's specific economic relations with the rest of the world. The increasing globalisation of economies, combined with the liberalisation and deregulation of public services by some of France's main economic partners, have clearly shown this policy's shortcomings and disadvantages. These have been pointed out in a number of studies and have been the subject of recommendations. A recent report to the Prime Minister on France's changing public sector drew attention to some of the problems.[48] It pointed out, for example, that public enterprises have not been a source of new jobs in recent years, since they have eliminated jobs in France while simultaneously taking on many new workers abroad.[49] The restructuring of stricken industries has not always produced the expected results, as was the case for heavy chemicals, as well as for some high-tech sectors such as the computer and electronic industries. Financial discipline has not always been characteristic of nationalised enterprises.

The repercussions on competition have also been emphasised. It has been pointed out, in particular, that some public enterprises received State funds, which was theoretically justified by the State's capacity as shareholder,[50] but transfers tantamount to subsidies were not always differentiated. Nationalised firms were – or were at least perceived to be – shielded from bankruptcy and take-over bids. They might have enjoyed special ties with the State, particularly when a significant portion of their executives were veterans of the institutions of State, cabinet ministries or the civil service.[51] The multiplication of cross shareholdings between public enterprises made France's industrial fabric more complex.[52]

Lastly, it has been pointed out that the status of a "public enterprise" was sometimes disadvantageous to France's interests abroad. The development of a competitive public sector was not always compatible with French interests abroad.[53] In some countries State-owned enterprises were barred from certain activities.[54] It was seen as somewhat of a contradiction that French public enterprises should seek freedom of establishment abroad while maintaining preferential positions at home.[55] Finally, private companies sometimes hesitated to get involved with State-owned firms or groups, *i.e.* with shareholders subject to the vagaries of political change and not necessarily sharing the same concept of management.

In any event, since 1986 France has adopted a different approach, which is aimed at reducing the government's role in the economy. This policy consists, on the one hand, of privatising enterprises operating in the competitive sector, and deregulating and opening up to competition certain public monopolies on the other. The privatisation of French public enterprises is intended to restore sounder terms of competition, strengthen private enterprise as the primary source of wealth creation, enhance the efficiency of the private sector and broaden the scope of co-operation between complementary groups, both at home and abroad. The 1993 Privatisation Act involved 21 enterprises controlling nearly 1 640 companies and employing over 600 000 people; this is in addition to the twelve groups that were privatised between 1986 and 1988, representing 17 per cent of the public-sector work force.[56] The new government intends to complete this programme as planned. Usinor-Sacilor was privatised in July 1995. Furthermore, Renault, Péchiney and the Compagnie Générale Maritime (CGM) have also been scheduled for privatisation by a decree published in mid-July 1995. The privatisations generated FF 22 billion in 1995, compared with FF 60 billion in 1994 and 45 billion in 1993.[57] In all, 9 per cent of industrial workers will have been transferred to the private sector under the 1993 Privatisation Act. For financial enterprises, the percentage of public-sector employment will fall to under 5 per cent.[58]

B. Monopolies and concessions

As in other OECD countries, a number of activities are monopolies. In most cases, these monopolies were created by legislation. The activities in question are assigned on a concessionary basis to public enterprises, *i.e.* to firms over which the State can exercise a dominant influence, either directly or indirectly.[59] Such enterprises administer their concessions in accordance with a list of general conditions and derive their revenue from users.

Economic factors such as increasing returns to scale which call for concentration (economies of scale and scope), problems of under-investment, and public demand have prompted the authorities to take charge of certain sectors. In addition, social considerations, such as ensuring a minimum level of service, fostering regional development or environmental protection and providing guaranteed supplies, even if unprofitable, underlie the existence of such monopolies. In fact, the French constitution stipulates that any enterprise whose operations have or subsequently take on the characteristics of a national public service must become public property.

The most important monopolies of which France has served notice (Annex 2) are industrial or commercial services that involve network infrastructure: production, transmission, distribution and import/export of electricity, telecommunications, postal services, railways, production, transport, distribution and marketing of gas, and atomic energy. Moreover, these monopolies have made EDF, France Télécom, La Poste, SNCF, GDF and CEA some of the most powerful corporate groups in France.[60] The other monopolies and concessions involve municipal services, employment services, import and distribution of tobacco and matches, production (mining) of solid fuels, potash mines, and gunpowder and explosives.

The French authorities consider that, on the whole, the monopoly system has performed satisfactorily, in particular from the standpoint of consumer interests, of ensuring the nation's long-term supply and of achieving long-term technical and financial optimisation of the sectors involved. Closing the telephone system's technology gap, launching the nuclear power programme and developing the high-speed train (TGV) network would probably not have been possible at the time without the impetus provided by the State. The development of enterprises with extensive public-service responsibilities is an outgrowth of French history.

But here again the economy evolves and circumstances change. Technical progress, customer demands, the development of financial markets, the private sector's ability to produce at a lower cost, and drains on the State's budget have raised questions as to whether certain monopolies are still justified; while non-discriminatory, they are increasingly perceived as impediments to competition. The measures adopted by the Community to construct the European market have also had major consequences on the regulatory environment in France.

France is closely associated with the deregulation and the opening up to competition of network infrastructure services, including telecommunications, electric power and rail transport. The Maastricht Treaty specifically mentions cross-border networks as one of the priority spheres for liberalisation. While each of these directives has its own special features, they all share common objectives such as the separation of regulators from operators, non-discriminatory access to networks and the participation of private agents in the production and/or delivery of the products and services involved.

Major initiatives have been taken. The 1990 reform of the PTT led to the separation of the regulator (the Ministry of Postal Services and Telecommunications) from operators, and to the creation of two national companies – La Poste and France Télécom. Parcel delivery and express mail services are no longer considered exclusive domains. The markets for terminals, specialised links and radio-electric networks have been opened up to competition. Liberalisation of the telecommunications sector will culminate in 1998 with the abolition of the State operator's monopoly over the basic network. Although the privatisation of France Télécom – by transferring the majority of its share capital to the private sector – is not planned for the moment, the relevant authorities are studying how this enterprise might operate in this new environment. One solution could be to transform France Télécom's "public operator" status and to open up a minority share of its capital to private investors.

In the energy sector, the French authorities intend to adopt a policy of opening up the power generation monopoly in order to develop new capacity, with both national and foreign investors participating in the process. However, at this juncture, they still prefer to maintain the status of a single transmission entity and buyer so as to ensure their long-term prospects in the sector. In the field of distribution, their primary concern is to maintain cross-subsidisation so as not to penalise remote regions.

Steps taken to institute a single market for electricity have concerned transparency of pricing and the publication of rates, transit requirements and the abolition of import and export monopolies. The next stages are expected to include, *inter alia,* the separation of management and accounting functions for production, transmission and distribution; the opening up of production and transmission to independent operators; and granting independent network access to major consumers and distribution companies.

In the field of air transport, liberalisation is continuing with the opening up of domestic lines to European competition [also see Section E *iii)* of Chapter 2]. The decree implementing the Council Directive of 1991 on the development of the Community's railways – the initial phase in railway liberalisation – has just been adopted. It requires that the administration of railway infrastructure be accounted for separately from the operation of transport services by railway undertakings. It guarantees that EU carriers operating combined transport services shall have access to the SNCF network. The government has decided to let SNCF retain power over infrastructure management and railway operations, but will continue to apportion train paths. Although the goal is to increase productivity and to improve the range and quality of services for the user, the government believes that the pace of change must be adapted to the SNCF's financial situation, since the railway undertaking is currently having difficulties.

All of these changes are naturally leading towards liberalisation and increasing openness to international competition. All public enterprises in the industrial and financial sectors are destined to disappear. Although all State monopolies will not necessarily be privatised – such as, for example, employment services, atomic energy and railways – this does not mean that they are not subject to market rules or to performance requirements, or that they operate with a privileged legal status. The French authorities will abide by the principle of non-discrimination with regard to international investment. They clearly emphasise that existing exceptions to the establishment of monopolies, such as low-capacity power generation, apply equally to French and foreign players. Moreover, services rendered by public enterprises in a monopoly situation are provided on the same quality and tariff terms to all customers regardless of origin.

Furthermore, some State monopolies have been abolished in recent years. The Banque Française du Commerce Extérieur (BCFE) lost its monopoly on export credits in 1989. The production and retail sale of tobacco is no longer a monopoly since the privatisation of SEITA in 1994. The coal import monopoly was eliminated in two stages, in 1993 and 1995. Natural gas transport is also no longer a public monopoly.

C. Privatisation

The French government has undertaken a vast programme of privatisation. Launched in 1986 (Table 1), the programme was interrupted in 1988. By then, 14 groups, representing one-third of the projected privatisations, had been completed: five industrial and commercial groups (Saint Gobain, CGE, Matra, CGCT and Havas), seven banking and financial groups (Sogenal, Banque du Bâtiment et des Travaux Publics, Banque Industrielle et Mobilière Privée, Crédit Commercial de France, Société Générale, Paribas and Suez); one insurance company (Mutuelle Générale Française) and one television network (TF1).[61] In 1991, when the public sector still represented nearly 16 per cent of value added, 25 per cent of capital investment and 12 per cent of salaried employment in non-farm market activities[62], the State undertook partial sell-offs. However, partial sell-offs seldom caused the State's equity in a business to fall below the 50 per cent threshold, and it was not until 1993 that the government resumed the policy of transferring ownership of public enterprises to the private sector.

Table 1. **Main privatisations of 1986-1987**

	Year of privatisation
Compagnie Saint-Gobain	1986
TF1	1986
Agence Havas	1987
Banque du bâtiment et des travaux publics	1987
Banque Industrielle et Mobilière Privée	1987
Caisse nationale du crédit agricole	1987
Compagnie financière de Paribas	1987
Compagnie financière de Suez	1987
Compagnie financière du Crédit commercial de France	1987
Compagnie générale de constructions téléphoniques	1987
Compagnie générale d'électricité	1987
Mutuelle générale française accidents	1987
Mutuelle générale française vie	1987
Société générale	1987
Société Matra	1988

Source: Les Notes bleues de Bercy – *Journal officiel.*

Since the Constitution stipulates that the terms of transfer for public enterprises shall be determined by law, the basic provisions relating thereto were laid down in the 1986 Privatisation Act (No. 86-912), as supplemented by Act No. 93-923 of 19 July 1993.

The scope of this 1993 privatisation programme – the vastest programme of its kind ever undertaken in France – encompassed enterprises incorporated as companies (public establishments were excluded) and involved nearly the entire competitive sector. No enterprise invested with a monopoly or extensive public-service responsibilities was targeted by the privatisation legislation. A list of 21 firms was appended to the 1993 Privatisation Act (Table 2). Twelve groups had already been on the 1986 list: three insurance companies (AGF, GAN, and

Table 2. **The 1993 Privatisation Act**

	Situation as of year end 1995
Aérospatiale	
AGF	Preparatory work now in progress
Banque Hervet	Privatisation suspended
BNP	Privatised in October 1993
Caisse centrale réassurance	
Caisse nationale prévoyance assurances	Preparatory work now in progress
Compagnie générale maritime	
Bull	Partially privatised in September 1995
Compagnie nationale Air France	
Crédit Lyonnais	
GAN	
Péchiney	Privatised in December 1995
Renault	Partially privatised in October 1994
Rhône-Poulenc	Privatised in December 1993
SEITA	Privatised in 1994
SNECMA	
Société marseillaise de crédit	Preparatory work now in progress
Société nationale Elf Aquitaine	Privatised in January 1994
Thomson	
UAP	Privatised in April 1994
Usinor Sacilor	Privatised in June 1995

Source: Direction du Trésor.

UAP), four banks (Banque Hervet, Crédit Lyonnais, BNP and Société marseillaise de crédit), four industrial firms (Péchiney, Rhône-Poulenc, Bull and Thomson) and one in the energy sector (Elf Aquitaine). Making up the nine new enterprises were two insurers (Caisse centrale de réassurance and Caisse nationale de prévoyance), five industrial firms (Usinor Sacilor, SNECMA, SEITA, Renault and Aérospatiale) and two carriers (Air France and Compagnie générale maritime). Together these groups represent about one million employees and generate turnover of FF 1 000 billion.

Apart from the partial privatisations of Renault and Bull on 31 December 1995, eight firms have been privatised since the 1993 law entered into force: Elf Aquitaine, Rhône-Poulenc, UAP, BNP and SEITA (for a total of 426 000 employees and aggregate net revenue of FF 108.6 billion), Usinor-Sacilor, Péchiney and Banque Française du Commerce Extérieur.

The government's primary objective is to improve the efficiency and competitiveness of privatised firms by subjecting them to greater competition. Since enterprises can no longer be considered an instrument of national strategy, they are to develop within a framework of corporate strategy, thereby expanding opportunities for agreements and co-operation with other large international companies. Privatisation should also help boost Paris as a financial centre and encourage employees and the public at large to become shareholders.[63] Lastly, privatisation has had a significant budgetary impact. Between 1986 and 1988, privatisation generated FF 71 billion, two-thirds of which was earmarked for paying down State debt. The 1993 programme is expected to yield around FF 450 billion. Divestments launched since 1993 have generated nearly FF 110 billion;[64] equal shares of which have been used to bolster the equity of public enterprises, financing of the general budget and for sustaining the economy (worker training and redeployment). In 1995, the proceeds of privatisations were used to bolster the equity of public enterprises and to reduce State debt.

Table 3 gives the situation concerning the number of employees in the public sector at end of 1993.

i) Procedure and methods

The law vested responsibility for privatisation operations with the Minister of Economic Affairs and Finance. In particular, it is he who proposes that the procedure be undertaken. Under his authority, the Treasury, which acts as shareholder of public enterprises, is responsible for the preparation and general co-ordination of all operations.

In order to ensure transparency and equity, the law created a "Privatisation Commission", composed of seven members appointed to five-year terms, including a chairman designated by decree. Members are chosen on the basis of economic, financial and legal ability and experience. They are independent and are barred from accepting employment with firms being privatised.

The Commission has two broad responsibilities:

- to value the companies to be privatised and to propose a range of selling prices for shares to be sold through public offerings[65] with a fixed floor price for the companies to be privatised;
- to issue opinions on the choice of market-based divestment procedures or, in the event of a non-market sale, to rule on the choice of purchaser if shares are placed with private companies or a "group of stable shareholders".[66] The Minister must adhere to the recommendations of the Privatisation Commission.

Table 3. **The impact of privatisation on the public sector**

Sector	Number of public enterprises 31/12/93	Number of employees 31/12/93	Principal groups subject to privatisation	Number of employees 31/12/93	Groups remaining under State control	Number of employees 31/12/93
Agriculture, sylviculture and fishing	17	13 180				
Agricultural and food industries	26	7 722				
Consumer goods	28	7 058			SNPE	5 715
Automobile Industry	14	87 411	Renault	87 411		
Capital goods industries	190	119 302	Péchiney	24 470		
Energy	52	190 648			EMC CDF EDF GDF	8 508 16 732 118 018 25 801
Construction	15	523				
Tertiary Commerce	208	14 178			Aéroports de Paris	6 794
Transport	321	326 288	Air France CGM	35 723 3 761	SNCF RATP	221 003 38 974
Financial institutions	506	139 975	AGF GAN CNP CCR CIC Crédit Lyonnais Banque Hervet SMC	13 145 31 406 2 211 128 21 870 42 882 1 444 2 247		
Real estate	460	9 164				
Market services	592	521 535			France Telecom	158 754
Non-market services	88	23 489			The Post	301 200
Education, health, social aid	10	682				
Administration	16	3 476				

Source: The Ministry of Economic Affairs and Finances.

The State also seeks advice from legal experts and financial institutions, which play a technical role in arranging placements and preparing valuations. The Government's advisory banks are selected after a very open consultation process conducted by a body presided over by a member of the Privatisation Commission. French and international establishments are invited to apply to perform that role as well as to become lead managers or members of underwriting syndicates.[67]

The objectives of privatisation have an overriding impact on the means by which it is done. French privatisations are usually split up into several tranches. They generally combine private placements through conventional channels of distribution (subscription and brokerage), aimed primarily at institutional investors at home and abroad, as well as public offerings in France, intended for the public at large. Since 1993, the sale of global guaranteed placements represented 40 per cent of total sales and public offerings accounted on average for 60 per cent of market operations. In contrast to the technique of auctioning off shares, which is used *inter alia* by the United Kingdom, French public offerings involve set prices in order to ensure the transparency of transactions.

Privatisation by private placement alone has not been ruled out, particularly in respect of small firms or when there are compelling industrial or commercial reasons for establishing alliances with other companies.

Henceforth, the law also sets forth streamlined procedures for divesting subsidiaries of the firms on the list of those to be privatised. For the smallest among them, subsequent declaration is sufficient; for larger subsidiaries, authorisation by decree is necessary.

Foreign investors may take part in market transactions and private placements, although a number of restrictions have been adopted.

ii) Restrictions on foreign ownership

Parliament has introduced a ceiling of 20 per cent on acquisitions by investors from countries not belonging to the European Economic Area, applicable separately to initial stock market offerings and to each subsequent tranche of shares being divested (Article 10 of the Act). On the other hand, once the privatisation transaction proper is over, foreign investors have unrestricted access to the equity available on the market.

The Act provides for two exceptions to the 20 per cent ceiling:

- In the event of a financial, commercial or industrial agreement between an EU or non-EU investor and a company controlled directly by the State, there shall be no restrictions on equity investments in that company should it be transferred from the public to the private sector.[68]
- When the protection of national interests so requires, the ceiling may be lowered by order of the Minister of Economic Affairs and Finance. Moreover, the Minister shall at all times have discretionary authority over equity acquisitions of over five per cent by foreign (natural or legal) persons in enterprises or subsidiaries belonging to the security, defence or health care sectors.

Although individual investors may not acquire shares unless they have a bank account with a French bank established in France, the privatisation process no longer makes a distinction between domestic institutional investors and international ones. Since the privatisation of Rhône-Poulenc, there are no longer any reserved tranches, whether overall or by region. Banks acting as lead managers select French or international investments on the basis of demand. As a rule, the share of French institutional interests is one third, and never more than half. For example, foreign institutional investors acquired three-quarters of the institutional tranche of Elf Aquitaine, 70 per cent of Renault's and 56 per cent of UAP's.

iii) Groups of stable shareholders

In order to ensure that newly privatised enterprises are managed as well as possible and that they are financially sound, the Act calls for open-market sales to be accompanied by private placements with a "group of stable shareholders" (GSS).

GSS members are selected through bidding, the results of which are published in the Official Gazette. Investors wishing to belong to a GSS may apply to the Privatisation Commission, which draws up lists of stable shareholders. GSS members acquire their shares at the institutional price, plus a control premium, and may be subject to conditions of ineligibility. For example, GSS members may be required to pledge to keep their shares during a minimum holding period (generally 18-36 months) and, for three years thereafter, to sell only to members of a pre-emption pact (or to approved buyers). Individually, GSS shareholders hold between 0.5 and 5 per cent of total equity. Together, they generally hold between 15 and 30 per cent of the shares.

During the first wave of privatisation, the Minister for Economic Affairs and Finance established groups of stable shareholders for nearly half of the companies that were sold off. The Privatisation Commission has selected GSS for all the enterprises privatised since 1993.

Nationally, a limited number of companies belong to the various GSSs, increasing the frequency of cross-shareholding and the number of groups that effectively control themselves (see also the section on private practices). At times, nationalised firms, but which are slated for privatisation, have also played a crucial role; their share even increased in the privatisations of Havas, Société Générale, Suez and Paribas.

All foreign investors, whatever their origin, may take part in the constitution of GSSs. That of BNP, for example, included Dresdner Bank, the Kuwait Investment Authority, PIFSS, Roche Finance, General Electric Investment Corp. and BAT Industries. The Fiat group and Crédit Suisse were chosen for Rhône-Poulenc. The Albert-Frères Group's Compagnie Nationale de Portefeuille, as well as Union de Banques Suisses, are among Elf's stable shareholders. By way of illustration, the proportion of non-resident investors is 33.53 per cent for BNP, 33.09 per cent for Rhône-Poulenc, 22.04 per cent for Elf Aquitaine, 49.99 per cent for UAP and 4.25 per cent for Seita.

iv) Golden shares

The Act empowers the government to convert common shares into golden shares if the national interest so dictates. Such shares enable the State, *inter alia:*

- to authorise investors, individually or collectively, to exceed certain thresholds of ownership or voting rights in target companies;
- to appoint one or two members of the board of directors of a privatised company as observers (without a vote);
- to oppose certain sales of assets.

Since 1993, this system, which was inspired by the United Kingdom's experience, has been at the heart of arrangements to protect national interests.[69] Henceforth it requires a decree rather than merely an order of the Minister of Economic Affairs and Finance. This change in the law means that the golden share no longer has a time limit but can nevertheless be subsequently suppressed.

Application of this measure has remained limited. In 1986 and 1987, four ordinary shares were turned into specific shares, with two actually being put into application – for Havas and for Matra. Those of Elf Aquitaine and Bull served no purpose, since neither company had been privatised at that time. Under the 1993 Act, one new golden share was adopted for the privatisation of Elf Aquitaine, the largest French enterprise in the petroleum sector.

v) Popular capitalism

In order to promote widespread share ownership, preferential terms are offered to employees and other individual investors.

The Privatisation Act of 1993 requires that ten per cent of the shares offered on the financial market be reserved for employees of the enterprises being privatised. These employees enjoy preferential terms in the form of discounts of up to 20 per cent of the price charged other subscribers, with as long as three years in which to pay. It must be noted, however, that shares acquired at a discount may not be sold for two years, nor until they are fully paid for.

Individuals are entitled to lower prices than institutional investors (who paid between 2 to 8 per cent more for their shares). In addition, individual investors can stagger their purchases over a period as long as three years and may, unlike employees, sell those shares before they have been paid for in full.

Privatisations have been popular with investors. For those undertaken since July 1993, employees have acquired between 70 and 90 per cent of the shares made available to them, and a large number of individual buyers have taken part in public offerings. The privatisations of BNP, Rhône-Poulenc and Elf Aquitaine, which took place in a favourable stock market climate, each attracted some three million subscribers. The sell-offs of UAP, Renault and SEITA, under more difficult market conditions, drew more than a million subscribers each.

Public demand having exceeded the number of shares initially on offer, the government exercised its right of repossession[70] in the privatisations of BNP, Rhône-Poulenc, SEITA, Elf Aquitaine and UAP.

The interest shown by individual and institutional investors at home and abroad enabled each of the privatisations to be carried out all at once. The authorities would be able to resort to staggered payment arrangements or step-by-step privatisation if it were technically desirable. Indeed, since the 1993 Act (Article 2, paragraph 3) divestments in successive tranches are authorised.

Chapter 4

Private practices

In addition to governmental restrictions on foreign ownership, which directly limit access to a country's economic activities, foreign investors must cope with a large number of regulations and practices that can have a restrictive or a dissuasive effect on their transactions.

The practices developed by French enterprises stem partially from the structure of the stock market. Over the past ten years, France has undertaken a major process of financial modernisation. Thanks to the development of the equity and financial markets, which had traditionally played only a marginal role in the French economy, the possibilities for corporate financing have expanded. Foreign investors have played a major role in these developments, since they hold 30 per cent of market capitalisation in Paris, compared with 18 per cent in Frankfurt, 12 per cent in London, 7 per cent in New York and 6 per cent in Tokyo.[71]

Fears of excessive vulnerability to hostile take-overs, together with funding requirements, have played a decisive role in the way businesses are organised and financed. In particular, the 1980s and early 1990s saw the development of cross-shareholdings between certain nationalised enterprises, in large part due to a shortage of equity.[72] In addition, in order to consolidate the shareholder base, those public enterprises that were deemed prosperous subscribed to equity issues of financially troubled private enterprises.[73] Lastly, to circumvent legal limits on cross-shareholdings between limited-liability companies[74], public – and private-sector enterprises developed complex ownership structures, such as indirect shareholdings[75] and interlocking holding companies.[76] In this way, most large nationalised and privately owned groups have woven themselves into a dense web of cross, circular and multilevel shareholdings.[77]

Owning a large share of equity is not always necessary to control an industrial or financial group, especially inasmuch as French companies can issue shares that confer double voting rights. "Loyal" shareholders, *i.e.* those who hold on to registered shares for at least two years and to whom a company has granted double voting rights, can influence decisions at shareholders' meetings with an investment that is proportionally smaller than that of other investors. Investors belonging to the complex ownership structures developed over the past decade to protect firms against hostile take-overs can enjoy double voting rights. A ceiling can be placed on double voting rights, especially to prevent investors from involuntarily exceeding the thresholds established by the legislation on public offerings. It should be noted that the law stipulates that such shares may be "reserved for shareholders of French nationality and to nationals of Member States of the CEE".[78]

Public enterprises, whether industrial or engaged in banking or insurance activities, are represented on a great many boards of directors. Because of the structure of French industry and finance, French CEOs have a very homogeneous background.[79] It should be noted that the 1966 Commercial Enterprises Act allows enterprises to impose by-law restrictions on eligibility for membership of boards of directors or supervisory bodies.

Competition policy has a major role to play in this context. The Directorate-General for Competition, attached to the Consumer Affairs and Product Safety/Quality (DGCCRF) of the Ministry of Economic Affairs and Finance, which had long been solely responsible for competition policy, is today continuously monitoring market structures and is stepping up co-operation with other competition authorities, at the European level in particular.[80] Nevertheless, it is primarily up to the Competition Council[81], which was set up by the Ordinance of 1 December 1986 on freedom of prices and competition, to enforce competition legislation, and in particular Article 7 of the ordinance, which bans anti-competitive practices and lays down a number of rules to ensure fair competition, and Act No. 91-3 on competition in government contracts. The Council is an independent authority with decision-making powers. *Inter alia,* it renders advisory opinions and hears cases in respect of referrals by ministries or directly by enterprises or trade organisations. In cases of illicit cartels or abuse of dominant positions, it imposes fines and can enjoin firms to modify their behaviour. It is also called upon to render opinions relating to instances of domestic or international concentration. Under EU law, transactions that exceed certain thresholds, *e.g.* with respect to turnover[82], must be examined by the European Commission.

Chapter 5

Conclusions

The rules governing FDI in France have changed considerably since the latter half of the 1980s. Freedom of investment has been instituted for virtually all investment originating in Europe, initially for countries of the CEE in 1990 and, more recently, for the entire European Economic Area in 1992, which accounts for the majority of foreign investment in France. The liberalisation of transport, telecommunications and air transport is under way. The regulations governing direct investment by countries outside the EEA have been considerably relaxed and simplified. Enterprise creation has been liberalised and acquisitions by non-EEA investors were authorised relatively quickly. A number of reciprocity measures have been allowed to lapse.

Finally, in February 1996, a law repealed the requirement for prior authorisation for the acquisition of French enterprises by non-EEA investors. Only investment plans that might pose a threat to law and order, public health or security, or that involve research, production or trade in armaments, munitions, gunpowder and explosive substances produced for military purposes, or military equipment continue to be subject to prior authorisation. Excluding exceptional cases, this authorisation will be deemed granted one month after the application has been filed.

This far-reaching liberalisation was not simply the result of the lifting of exchange controls and the free circulation of capital movements introduced in 1990. Rather, it was prompted by the aim of integrating the French economy more closely into the world economy, the recognition of the beneficial effects of FDI, the need to bring regulations into line with increasingly liberal practice and the desire to attract at least the share of FDI commensurate with France's economic importance.

To meet the strong international competition in this field, France has also created tools for FDI promotion and prospection. The post of ambassador for international investment was created in 1992 to stimulate canvassing abroad and make it easier to locate facilities in France. The Delegation for Land Use and Regional Initiatives (DATAR) has set up a network of offices abroad in order to attract investors to France. An association – the Invest in France Network – made up of the prime movers of French economic development (industrialisation commissions) was created to promote France's image abroad and to facilitate the canvassing and reception work carried out by the network of IFAs. Foreign investors are eligible for the various aids to investment (land-use subsidies, local authority subsidies, hiring and employment subsidies and R&D grants) on an equal footing with national enterprises.

Other measures have been taken to redefine the respective roles of the private and public sectors and to encourage free enterprise. As a result, since 1987 France has been engaged in one of Europe's vastest privatisation programmes. This programme should ensure that all public enterprises operating in the competitive sector ultimately return to the private sector. The programme is now nearing completion, following the vigorous privatisation campaign resumed in 1993. Major efforts have also been undertaken to deregulate or dismantle longstanding public monopolies, particularly with a view to creating an integrated European market for telecommunication services, transport and energy. These initiatives have opened up unprecedented opportunities for both French and foreign private investors, and ensure a more favourable economic environment for private enterprise.

Foreign investors have not been mistaken. France has become the third-ranking host country for foreign investment, after the United States and the United Kingdom. Investment flows have increased tenfold over recent years. FDI's share of GDP doubled between 1985 and 1994 (from 0.4 to 0.8 per cent), while its share of gross capital formation grew fourfold (from 2 to 8 per cent). Foreign firms now account for 26 per cent of industrial output, 22 per cent of jobs and 30 per cent of exports. These figures are among the highest in OECD countries.

Admittedly, this performance would not have been possible without a favourable economic environment and France's position in the European economy. The efforts made in recent years to maintain equilibrium of the key macroeconomic variables, to carry out structural reform and to promote entrepreneurship have also played a role.

The changes in French economic policy and in particular the decisive progress in the liberalisation of FDI in recent years are welcome steps. The recent abolition of prior authorisation for all acquisitions by non-EEA investors is probably one of the most important steps taken. This measure eliminates the discriminatory element in French FDI regulations considered to be most questionable from the standpoint of one of the basic principles of the OECD liberalisation instruments, *i.e.* non-discrimination. It also does away with the complexities that investors used to fear, *i.e.* the uncertainty and delays, the lack of transparency of rulings, the possibility of having to make changes in investment plans and potential conflicts of interest with French enterprises. France can now join the majority of OECD countries that do not require prior authorisation of FDI. This measure enhances France's image as an FDI host country. It will need to ensured, however, that the remaining provisions to prevent investments that pose a threat to law and order, public health and safety or that involve national defence are abused.

It comes as no surprise that the strongest of the remaining restrictions are found in sectors such as air transport, maritime transport or telecommunications, since it is precisely in these sectors that, for various strategic, historical or other reasons, most of the restrictions to FDI in OECD countries are concentrated. Nevertheless, it should be noted that the liberalisation announced in these sectors, which should continue in the future at a faster pace, was not extended to non-EEA countries. Similarly, it is unfortunate that these investors are still subject to reciprocity conditions, at least from a legal standpoint, in the sectors of telecommunications, audio-visual communication services, publishing, tour guide-interpreter services, hydrocarbons and waterfalls while reciprocity requirements were eliminated or suspended for financial services, road transport, motor vehicle rentals, exploration and exploitation of mines and quarries, import of crude oil, petroleum by-products, residues and refined products and the nuclear industry. The question for reciprocity could indeed be a source of discrimination. France is encouraged to continue to liberalise these sectors by providing the same opportunities to all investors whatever their origin, in compliance with national treatment.

There can be no doubt that the role played by public enterprises or monopolies over the next few years will be one of the factors that will have the greatest impact on FDI trends in France in the years to come. At the beginning of the 1990s, France still differed from the other industrialised countries by the relatively high level of the public sector's involvement in the productive system. This explains the great importance placed on the privatisation of the competitive sector in the 1993 privatisation programme and on the deregulation of network services such as telecommunications, transport and energy.

Foreign participation in privatisations has already reached respectable levels – 25 per cent on average. The economic impact, in terms of employment, profitability, stock market activity, technological synergies, etc., can be clearly felt. Nevertheless, one must ask whether it is justified to maintain the 20 per cent limit on participation by non-EEA investors at the time of the actual privatisation transaction. Even if it is admitted that this limit does not have a significant impact on FDI, since it does not apply to secondary markets or to financial, commercial or industrial agreements between investors and the State, it is not wholly compatible with national treatment and the free working of the market, and tarnishes France's image as a country open to investment. The French authorities' choice of shareholders or groups of stable shareholders could also have an impact on FDI. Lastly, it would be advisable to remain vigilant regarding the consequences of the State's role as shareholder and of the private practices of companies within the economy.

Notes and references

1. These data are published monthly in the *Bulletin Mensuel* of the Banque de France and *Les Notes Bleues* of the Ministry of Economic Affairs, Finance and Budget.
2. Until 1992, the ceiling was 20 per cent.
3. OECD (1994), *International Direct Investment Statistics Yearbook.*
4. Jérôme Henry, "La localisation des investissements français dans trois zones de l'OCDE, une analyse économétrique des balances des paiements depuis 1979", *Revue économique*, No. 4, July 1993, pp. 737-753.
5. OECD (1995), *Financial Market Trends*, No. 61.
6. For the purpose of this publication, European Community investors are defined as originating from Germany, Belgium, Denmark, Spain, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, and the United Kingdom. Up until 1994, investors originating from Austria, Finland and Sweden are for statistical purposes included with "other European countries". As of 1 January 1995, statistics established for the European countries include all 15 countries.
7. Yoko Sazanami: "Determinants of Japanese foreign direct investment – Locational attractiveness of European countries to Japanese multinationals", *Revue économique*, No. 4, July 1992, p. 661-670.
8. According to Treasury estimates, which match up with the information provided by the US authorities, US stocks would actually amount to 30 per cent. This difference of evaluation is primarily due to the methodology used by the Banque de France, which in particular does not take into account the ultimate beneficial ownership or reinvested earnings.
9. This includes some of the business of enterprises classified as holding companies by the INSEE; some holding companies are reclassified in their predominant sector of economic activity.
10. La France face à l'investissement international", Ministry of Economic Affairs and Finance, Delegation for International Investments, *Lettre de l'Observatoire*, No. 2, February 1995.
11. As regards the labour market, French workers have a good average level of training and their productivity is equivalent to that of the most advanced countries. Nevertheless, although the level of direct wages compares favourably with that of France's main economic partners, the total hourly cost (which takes into account social insurance costs) is higher than in the United Kingdom or in Portugal and Spain.
12. SESSI (July 1993): "L'investissement étranger dans l'industrie française au 1er janvier 1991." In 1990, 24 per cent of the workforce in manufacturing was employed by foreign subsidiaries, compared with 13 per cent in trade and 8 per cent in services.

13. The turnover per head of French subsidiaries of foreign companies in the manufacturing sector is 28 per cent higher than that of French companies; investment per head is 20 per cent higher, and exports pe head are 33 per cent higher.

14. International Chamber of Commerce: "Les investisseurs étrangers sont de véritables acteurs de la politique d'aménagement du territoire", *Guide pratique pour l'implantation d'entreprises en France*, International Chamber of Commerce, 1994, p. 129.

15. Jean-Marie Chanut et Edouard Mathieu, "L'investissement étranger dans l'industrie française : ses effets sur la balance commerciale", *Problèmes économiques*, No. 2392, October 1994. A trend towards commercial equilibrium has been observed, for instance, in the paper/cardboard industry which experienced, in the early 1990's, a substantial deficit as a result of the modernisation undertaken by foreign-acquired companies.

16. It should be remembered that, with a view to promoting regional development and in accordance with EU regulations, investments in regions in difficulty may receive regional aid.

17. Fabrice Hatem and Jean-Daniel Tordjman, *La France face à l'investissement international*, Economica, Paris, 1995, p. 214.

18. Fabrice Hatem, "Attraction des capitaux étrangers : les atouts de la France", *Notes bleues de Bercy*, No. 41, 16-30 June 1994.

19. "Encours des investissements directs français à l'étranger au 31 décembre 1992", *Bulletin de la Banque de France*, 4th quarter 1994, "Etudes" supplément.

20. Hubert Bonin, "Les banques françaises dans le monde", *Problèmes économiques*, No. 2331, 23 June 1993.

21. Fabrice Hatem and Jean-Daniel Tordjman, *La France face à l'investissement international*, Economica, 1995, p. 212.

22. *La Tribune*, "Entreprises françaises à l'étranger : effectifs en hausse", 20 March 1995.

23. Various accompanying measures have been taken to facilitate foreign investment in France. In 1994, a simplified form of the public limited liability company was introduced to allow greater contractual freedom between enterprises and a wider range of possibilities of business co-operation and combinations. New tax conventions with the main investor country make it possible to eliminate double taxation, notably with regard to the remuneration of expatriate staff.

24. As provided for by the Treaty of Rome, according to which any enterprise established in a member state of the European Community is considered to be an EU enterprise.

25. This section, as well as the following, is inspired by various articles published in *Le Guide pratique pour l'implantation d'entreprises en France*, International Chamber of Commerce, 1994.

26. According to a study by the University of Strathclyde, mentioned by Fabrice Hatem, *La France face à l'investissement international*, 1995, p. 324, total regional public aid to enterprises in France amounted to £104 million in 1991, compared with £205 million in Portugal, £367 million in the United Kingdom, £408 million in Germany and £194 million in Spain. Regional aid is the primary means of providing aid programmes to European enterprises.

27. See note 17 above, Chapter 8.

28. Comité National Français de la Chambre de Commerce Internationale, *Guide pratique pour l'implantation d'entreprises en France*, International Chamber of Commerce, Paris, 1994, page 129.

29. Banks are considered to be a strategic sector and have at various times been privately or publicly controlled. After the war, the Banque de France was nationalised, together with the four largest deposit banks, two of which subsequently merged to create the Banque Nationale de Paris (BNP); these are now the three largest French banks (BNP, Société Générale and Crédit Lyonnais). The Nationalisation Act of 11 February 1982 (82-155), which concerned in particular 18 banks listed on the stock exchange and 21 unlisted banks, as well as the finance houses Paribas and Suez, gave the government control over virtually the entire banking sector. Since the 1986 Privatisation Act, a number of financial institutions have been reprivatised, including the following: between 1986 and 1988: Société Générale, Banque du Bâtiment et des Travaux Publics, Banque Industrielle et Mobilière Privée, Crédit Commercial de France, Suez, Paribas, Banque Sofinco, Banque Parisienne du Crédit, Crédit du Nord, Européenne de Banque, Union de Banques de Paris, Banque Chaix, Société Générale Alsacienne de Banque; between 1991 and 1992: Crédit Local de France. Of the four banks included in the new privatisation programme, the BNP was privatised in 1993.

30. The government recently gave assistance to the Banque Hervet, the Société Marseillaise de Crédit, UIC and the Comptoir des Entreprenecrs. The Crédit Lyonnais equally benefited from two refinancing plans in 1993 and 1995 which have received the approval of the European Commission.

31. In 1993, the average operating ratio, *i.e.* the ratio between operating costs and turnover, was approximately 68 per cent in France, as compared with 60 per cent in Spain and 55 per cent in the United Kingdom.

32. Comité des établissements de crédit (1995), *Annual Report*, 1994.

33. This reciprocity provision is optional, *i.e.* it need not be enforced. If it is enforced, this does not automatically lead to a refusal of authorisation, but the authorisation may be limited to certain transactions.

34. The sale by public offering of UAP was opened on 26 April 1994 and closed on 3 May 1994.

35. "Les assureurs, entre rachats et coopération", *Les Échos*, 13 April 1995.

36. The Second Directive enables all EU insurance companies to sell products in another member country without being established there. This provision entered into force in 1988 for non-life insurance and in 1990 for life insurance.

37. The third life and non-life directive deals with the harmonisation of the supervision exercised by the Member States and the mutual recognition of this supervision.

38. Since 1 July 1994, branch offices are no longer required to prove that they are maintaining their solvency margin; this is supervised by the authorities of the country in which the company's head office is located.

39. Geraldine Loulergue: "Le marché unique de l'assurance", Délégation aux investissements internationaux, *Observatoire des investissements internationaux*, August 1994.

40. Article 2 of Decree No. 90-469 of 23 March 1990.

41. This reciprocity provision is optional, *i.e.* it need not be enforced. If it is enforced, it does not automatically lead to a refusal of authorisation, but the authorisation may be limited to certain transactions.

42. Only telephone services between fixed points, as very strictly defined in the legislation, can be a monopoly. Other voice services, such as value-added voice services (voice messaging), or voice services not provided to the general public (a closed group of users) are not included in the monopoly.

43. "Carrier services" (essentially data transmission) were liberalised on 1 January 1993, and licences are granted automatically if the applicant meets certain minimum criteria laid down by decree. As regards providing radioelectric services to the public, there has been competition since 1987 (analogue and digital radiotelephony, radio paging).

44. In the broad sense, the notion of public service extends far beyond the commercial sphere; it also encompasses heath care, education and exclusive State prerogatives such as the armed forces, justice and police. French public law includes the transport, energy and network communication industries as public services of an industrial or commercial nature. See Pierre Bauby and Jean-Claude Boual, *Les Services publics au défi de l'Europe,* les Éditions ouvrières, 1993.

45. Pierre Mauroy, Prime Minister, at the National Assembly, 13 October 1981.

46. Figures cited in *Mieux privatiser, évolution du secteur public en France et en Europe : bilan des perspectives,* Report to the Prime Minister by the parliamentary task force headed by Alain Griotteray, MP from Val-de-Marne.

47. These figures do not include the major privatisations of 1994: UAP, Elf Aquitaine, Rhône-Poulenc and Usinor-Sacilor.

48. See note 46 above.

49. Since 1988, public enterprises have grown primarily through acquisitions. UAP, Usinor Sacilor, Thomson and Pechiney, Bull, Aérospatiale and Rhône-Poulenc now derive more than 50 per cent of their turnover abroad.

50. The most blatant examples were aid to Air France and Crédit Lyonnais. Actions in favour of friendly companies have also spilled over to the private sector, as in Elf Sanofi's acquisition of Yves Saint Laurent, Saint Gobain's investment in Compagnie Générale des Eaux and the purchase of Bernard Tapie's shares in Adidas by Crédit Lyonnais, AGF and UAP-controlled Banque Worms.

51. "Les grands patrons sont surtout issus des grands corps de l'État" (Most of the chief executives come from the institutions of the State), *Les Échos,* 16 February 1995.

52. Examples abound, even outside the banking and insurance sectors. After privatisation was halted in 1988 by the "neither...nor" policy (neither nationalisation nor privatisation), the State was unable to inject fresh equity, clean up balance sheets or finance the external expansion of firms committed to a massive wave of acquisitions abroad. Alternative financing methods and reciprocal equity investments within the public sector developed out of necessity. Not all were voluntary; for example, France Telecom's investments in Banque Hervet were not so much desired as imposed.

53. The most striking example and the most heralded is the failed merger between Renault and Volvo. One may also mention that some US public contracts have been withdrawn from Bull because of its public ownership and the difficulties of AGF in its take-over of the German company AMB.

54. The Exon-Florio provisions call for a thorough investigation whenever a government-controlled enterprise proposes an acquisition that is liable to affect national security. The states of Illinois, Massachusetts, New Jersey, New York and Pennsylvania do not license government-owned insurance companies.

55. In 1991, France Telecom acquired a significant stake in Telecom Argentina's parent company and bought into Mexico's Telmex as part of a consortium including the US operator Southwestern Bell and Mexican investors.

56. This figure is quoted in "L'expérience française de privatisation : bilan et enseignements", *Revue internationale de droit économique*, No. 3, 1992.

57. Figures cited by the French authorities.

58. See note 46.

59. This is the definition given by INSEE in *Répertoire des entreprises contrôlées majoritairement par l'État*, 1994, p. 5.

60. Jean-Michel Béjar, *Guide des grandes entreprises*, Seuil, 1995.

61. These privatisations correspond to the sale of 1 100 enterprises, representing close to 500 000 employees.

62. Michel Durupty, "La privatisation banalisée", *L'actualité juridique – Droit administratif*, 20 October 1993.

63. Statement on privatisation by the French authorities, OECD, December 1993.

64. "Privatisation has brought the budget FF 108.6 billion in two years", *Les Échos*, 20 February 1995. The divestment of SEITA, including net revenue, brought in FF 42.5 billion in 1993 and FF 60.45 billion in 1994.

65. Henceforth the law proposes that selling prices, which shall not be lower that the Commission's valuation, be established before any account is taken of the estimated value of the preferential terms allowed to employees and other individual investors.

66. During the 1986-1987 privatisations, the constitution of such groups, which had been referred to at the time as "hard cores" ("*noyaux durs*") had been criticised, *inter alia*, because of the preferential treatment given to France's big industrial groups.

67. Foreign banks, including non-EU banks, played an important role either by advising the government (64 foreign banks were heard by the Selection Committee and 18 were consulted at length), advising privatised enterprises or issuing privatisation offerings (48 foreign banks participated in issue syndicates and their share of the issues amounted to 30 per cent).

68. Article 10-1 of the Act of 19 July 1993, Decree No. 93-1041 of 3 September 1993, *Journal Officiel* of 5 September 1993.

69. See note 62 above.

70. Depending on the success of each transaction, purchase orders can be rationed and the terms of allocation amended. The tranche set aside for institutional investors, including those abroad, can be reduced by up to 15 per cent of the shares on offer to the public in order to satisfy employees and other individual investors.

71. Jean Peyrelevade, *Pour un capitalisme intelligent*, Grasset, Paris, 1993, p. 263.

72. In 1991, UAP subscribed to a 10 per cent share capital increase at BNP, which in turn subscribed to an identical increase at UAP.

73. In 1992, for example, the Elf oil group's Elf Sanofi unit acquired the Yves Saint-Laurent company.

74. Company law provides that cross-shareholdings shall be limited to 10 per cent of equity capital. The second legal person may not own shares issued by the first in excess of this threshold. If it does, the law stipulates that voting rights and dividends be withdrawn by the firm with the smaller percentage interest.

75. For example, AGF and Crédit Lyonnais, which hold reciprocal shareholdings, both have interests in Rhône-Poulenc.

76. Repeated, multilevel shareholdings whereby industrial or financial groups can be controlled without owning a significant percentage of equity.

77. Roland Laskine, *Les privatisations, enjeux stratégiques et opportunités boursières*, Les Éditions d'organisation, Paris, 1993, 91 pp.

78. Article 175 of the Companies Act of 1966. This measure has since been extended to countries of the European Economic Area.

79. According to a study by the Centre National de Recherche Scientifique (CNRS) with the assistance of the Boyden head-hunting firm, in 1993 nearly half of the heads of the 200 largest companies were from the State sector (institutions of State, ministries' private offices or the civil service) and a third of them had inherited their company. (*Les Échos*, 16 February 1995).

80. OECD (1994), *Annual Report on the Competition Situation in France in 1993*, Paris.

81. Composed of 16 members with six-year terms; the chairman and two vice-chairmen are permanent members, whereas the other 13, consisting of judges, lawyers, university professors, leaders of business, industry and banking and one representative of a consumer organisation, are non-permanent members.

82. Total turnover in excess of ECU 5 billion and EU turnover of ECU 250 million, with EU transactions constituting at least a third of total trade.

Annex I

France's current position under the Code of Liberalisation of Capital Movements and the National Treatment Instrument

Introduction

As a signatory to the OECD Code of Liberalisation of Capital Movements (the Code) and the National Treatment Instrument (NTI), France has undertaken a number of obligations in the foreign direct investment field. This annex highlights the main provision of these instruments as well as France's provisions under them.

The OECD commitments

The Code and the NTI are the two main instruments for co-operation among OECD member countries in the field of foreign direct investment.

The Code, which has the legal status of OECD Council Decisions and is binding on all Member countries, covers the main aspects of the right of establishment for non-resident enterprises and requires OECD Members to progressively liberalise their investment regimes on a non-discriminatory basis and treat resident and non-resident investors alike.

The NTI is a "policy commitment" by Member countries to accord to established foreign-controlled enterprises treatment no less favourable than that accorded to domestic enterprises in like situations. While the NTI is a non-binding agreement among OECD Member countries, all measures constituting exceptions to this principle and any other measures which have a hearing on it must be reported to the OECD.

Member countries need not, however, liberalise all their restrictions upon adherence to the above instruments. Rather, the goal of full liberalisation is to be achieved progressively over time. Accordingly, members unable to fully liberalise are permitted to maintain "reservations" to the Code of Capital Movements and "exceptions" to the NTI for outstanding foreign investment restrictions. These limitations to the liberalisation obligations may be lodged at the time a member adheres to the Codes, whenever specific obligations begin to apply to a member, or whenever new obligations are added to the instruments.

The investment obligations of the Code and the NTI are, in fact, complementary, both dealing with the laws, policies and practices of Member countries in the field of direct investment. However, the Code addresses the subject from the point of view of non-resident investors in an OECD host country, while the NTI is concerned with the rights of established foreign-controlled enterprises. Limitations on non-resident (as opposed to resident) investors affecting the enterprises' operations and other requirements set at the time of entry or establishment are covered by the Code. The investment operations of foreign-controlled enterprises after entry, including new investment, are covered by the National Treatment Instrument.

Measures pertaining to subsidiaries fall under the purview of the Code or the NTI, depending on whether they set conditions on entry/establishment or concern the activities of foreign-controlled enterprises already established. As to branches, the 1991 *Review of the OECD Declaration and Decisions on International Investment and Multinational Enterprises* introduced a distinction between "direct" branches of non-resident enterprises and "indirect" branches, that is branches of already established foreign-controlled enterprises. The latter are subject to all the five categories of measures covered by the NTI (investment by established enterprises, government procurement, official aids and subsidies, access to local financing and tax obligations). The investment activities of "direct" branches of non-resident enterprises, which concern the category of measures covered by the NTI, fall however, exclusively under the purview of the Code.

The Committee on Capital Movements and Invisible Transactions and the Committee on International Investment and Multinational Enterprises together conduct country examinations of Member country measures covered by these OECD commitments. These examinations involve a face to face discussion between representatives of the two Committees and experts from the country being examined. The discussion is based on submission by the Member concerned and a document prepared by the Secretariat. The objective is to clarify the nature and purpose of remaining restrictions and to identify possible areas for further liberalisation. The examinations usually conclude with modifications to the Member country's position and recommendations by the OECD Council to the Member's authorities concerning the future direction of the country's foreign direct investment policies.

France's position under the Capital Movements Code and the National Treatment Instrument

a) *France's reservation on foreign direct investment under the Code of Liberalisation of Capital Movements and mention of reicprocity in Annex E of the Codes*

1. "List A, I/A — Direct investment:

   – In the country concerned by non-residents.

   Remark: The reservation applies only to:

   i) The establishment of an agricultural enterprise by nationals of countries that are not members of the EC and the acquisition of vineyards;
   ii) Investment in air transport, unless at least 50 per cent of the equity capital is held by nationals of the EC and subject to the provisions of duly approved international agreements that imply otherwise; moreover, the State has full powers regarding domestic air transport with respect to investment not originating in the EC;
   iii) Ownership after acquisition of more than 50 per cent of a French flag vessel, unless the vessel concerned is entirely owned by enterprises having their principal office in France. Moreover, nationals of countries that are not members of the EC may not engage in cabotage."

2. France's entry in Annex E of the Code is amended as follows:
   "*i)* Establishment of non-resident investors originating in countries that are not members of the EC in the banking and financial services sector may be subject to reciprocity considerations;
   ii) Establishment of insurance companies originating in countries that are not members of the EC may be subject to reciprocity considerations;
   iii) Investment by non-EC residents in political and general information publications appearing at least once per month (other than those intended for foreign communities in France), audio-visual communication services, insurance brokerage; tour guide-interpreter services; exploration, extracting and exploitation of hydrocarbons, waterfalls, and the purchase of agricultural land adjacent to the Swiss border (under the terms of a bilateral agreement dated 31 August 1946), which is generally allowed only for enterprises originating in a country with which France has undertaken international commitments containing a clause of national assimilation or reciprocity."

b) France's exceptions to the National Treatment Instrument

A. Exceptions at national level

I. Investments by established foreign-controlled enterprises

Agriculture

National treatment is not applicable to nationals of countries that are not members of the European Economic Area or to groups of companies majority controlled by such nationals who wish to undertake an agricultural enterprise. The acquisition of vineyards is subject to notification or, as necessary, authorisation.

Authority: Decree 54-72 of January 1954.

Banking, financial services, securities brokerage, accounting and legal services

National treatment may be applied to nationals of countries that are not members of the European Economic Area on the basis of reciprocity.

Insurance

Enterprises with head offices that are not located in EC member countries or in member countries of the European Economic Area that have transposed the three insurance Directives into domestic law must obtain a license to operate in France. This license may be subject to reciprocity considerations and is only granted for types of insurance underwritten by the enterprise concerned in its country of origin.

Air transport

Authorisation to engage in activities in this field is granted only when the enterprise is owned entirely or majority controlled by nationals of the European Economic Area. Such enterprises have free access to intra-Community or intra-EEA routes; access to intra-Community or intra-EEA routes is limited to "consecutive cabotage" and is subject to a ceiling of 50 per cent of capacity.

Maritime transport

In order to be registered in France, ships must either:

a) be owned by physical persons and be owned at least 50 per cent by nationals;
b) be owned by moral persons headquartered in French territory.

Authority: Decree of January 1967.

Maritime transport

Maritime cabotage is open to flag vessels originating in EC member countries; this activity should be fully liberalised for flag vessels of the other member countries of the European Economic Area by 1997.

Inland waterways

The right to transport goods and persons between two points on the inland waterways covered by the Revised Convention for the Navigation of the Rhine is reserved to vessels owned by either nationals of Contracting States of that Convention or Member States of the EC, or companies based in any of these States, which are majority-owned and controlled by nationals of these States.

Publishing

Without clauses of national assimilation or reciprocity, foreigners may not acquire, directly or indirectly, more than 20 per cent of the equity capital or voting rights of enterprises that publish in the French language.

Authority: Act 86-1067 of September 1986.

Telecommunications

Telecommunications networks open to public use may only be established by the State operator. The Minister for Telecommunications may authorise a person other than the State operator to operate a radio-electric network for the purpose of providing telecommunications services. However, without a reciprocity clause, a foreign person may not own, directly or indirectly, more than 20 per cent of the equity capital or voting rights of enterprises which have been granted an authorisation. These requirements do not apply to natural or legal persons who are nationals of a State that is a Member of the EC or the European Economic Area.

Authority: Act 90-1170 of 29 December 1990.

Radio and television

Without a reciprocity clause, nationals of OECD countries that are not members of the EC or the European Economic Area may not hold, directly or indirectly, more than 20 per cent of the equity capital or voting rights of a company licensed to provide terrestrial Hertzian television or radio broadcasting services in the French language.

Authority: Act of 86-1067 of 30 December 1986.

Tourism

A tour guide-interpreter license may be awarded to nationals of countries not members of the EC or the European Economic Area on the basis of reciprocity.

Authority: Decree 94/490 of 15 June 1994 in application of Act 92/645 of 13 July 1992.

Privatisation

Only 20 per cent of the share capital may be acquired by non-EEA investors at the time of the initial share offerings, unless a financial, commercial or industrial agreement has been signed between the investor and the company being privatised. There are no restrictions after the actual privatisation is completed and all investors regardless of their origin have full access to the capital of privatised enterprises.

Authority: Act 93-923 of 19 July 1993 on privatisation.

II. Official aids and subsidies

None.

III. Tax obligations

None.

IV. Government procurement

None.

V. Access to local finance

None.

B. France's measures reported for transparency at the level of National Government

I. Measures based on public order and essential security considerations

a) Investment by established foreign-controlled enterprises

Manufacturing/Aerospace construction

The French government reserves the right to restrict the conditions governing the creation, expansion or operation of foreign-controlled enterprises engaging in aerospace construction.

Atomic energy

National treatment is not applicable to fields supervised by the Atomic Energy Commission (Commissariat à l'énergie atomique). The use of artificial radio elements, the operation of nuclear plants and liquid waste treatment plants are subject to prior authorisation. The government expressly reserves the right to amend regulations on nuclear activities, in particular as regards issuing permits to operate uranium mines or to possess or use fissile materials.

Authority: Decree No. 70-878 of 29 September 1970, Article 2.

Article 632 of the Public Health Code and Decree of 31 December 1974; the Mining Code.

Defence

The principle of national treatment is not applicable to enterprises whose activities involve directly or indirectly national defence and armaments. The government reserves the right to take any measure either to restrict the conditions governing the creation, expansion or operation of foreign-controlled enterprises, or to require these enterprises to provide any special guarantees it may deem necessary.

b) Corporate organisation

Agriculture

By law, the directors of agricultural co-operatives must be chosen from among their members and be French nationals, or nationals of an EEA Member State, or nationals of a country with which France has a reciprocity agreement, unless an exemption has been granted by the Minister for Agriculture with the recommendation of the Central Accreditation Commission.

Authority: Article R 524-1 of the Rural Code.

c) Government purchasing

Defence

Domestically-owned enterprises are given preference as regards the procurement by the armed forces of products specifically intended for military purposes.

d) Official aids and subsidies

None.

II. Other measures reported for transparency

None.

C. Measures reported for transparency at the level of territorial subdivisions

None

Annex 2

Monopolies and concessions

1. Public monopolies

- collection, transport and distribution of letters and parcels weighing less than one kilogram;
- basic telecommunications;
- production of electricity greater than 8 000 KW and transport, distribution and import and export of electricity;
- production, distribution and marketing of gas;
- atomic energy;
- public municipal services;
- railways;
- import and retail sale of tobacco (and matches);
- production (mining) of solid fuels/imports of coal;
- coal mines;
- gunpowder and explosives.

2. Concessions

- television;
- municipal services.

Annex 3

Statistics on foreign direct investment in France

Table 1. **Foreign direct investment: flows by country, 1980-1994**

FF million

	1980-1985	%	1986-1994	%	1986	1987	1988	1989	1990	1991	1992	1993	1994
OECD AREA	**13 709**	**92**	**51 171**	**96**	**16 719**	**26 145**	**42 132**	**60 073**	**47 412**	**62 527**	**81 059**	**66 888**	**57 581**
Europe	10 267	69	41 920	79	12 568	18 048	34 886	53 461	34 726	50 844	62 972	59 651	50 124
EC	7 638	51	34 207	65	9 707	13 599	30 053	46 177	26 878	32 526	54 931	49 882	44 112
Belgium-Luxembourg	814	5	6 282	12	1 452	2 964	3 490	4 940	4 497	5 992	14 944	10 966	7 293
Denmark	107	1	358	1	274	189	162	830	242	372	599	197	361
France					..	..	..	..	..	..	..	..	..
Germany	1 922	13	5 567	10	1 455	2 461	3 737	6 109	6 609	9 977	6 665	7 869	5 225
Greece	12	0	14	0	23	12	2	–1	19	–5	22	30	25
Ireland	32	0	307	1	19	34	65	–18	238	175	196	325	1 727
Italy	654	4	5 378	10	1 866	2 284	6 088	1 385	4 605	5 086	15 892	8 666	2 533
Netherlands	1 919	13	6 170	12	1 785	1 302	6 030	13 827	5 840	7 363	10 883	5 913	2 591
Portugal	22	0	7	0	–6	–5	8	–15	6	–53	18	20	86
Spain	46	0	408	1	181	245	249	415	316	176	616	1 368	108
United Kingdom	2 112	14	9 715	18	2 658	4 113	10 222	18 705	4 510	3 443	5 090	14 528	24 163
Other Europe	2 629	18	7 713	15	2 861	4 449	4 833	7 284	7 848	18 318	8 041	9 769	6 012
Austria	32	0	109	0	39	69	11	–16	293	104	38	268	177
Finland	48	0	611	1	40	53	69	326	1 972	961	995	629	457
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..
Norway	27	0	354	1	397	488	172	431	498	270	884	64	–22
Sweden	406	3	2 582	5	542	807	1 666	2 165	2 788	14 224	274	975	–206
Switzerland	2 115	14	4 021	8	1 842	3 032	2 915	4 057	2 297	2 759	5 850	7 833	5 606
Other	2	0	36	0	1	..	..	321	..	..	..	..	..
North America	2 973	20	6 519	12	3 234	7 014	5 496	2 678	6 731	6 310	15 564	5 140	6 503
Canada	146	1	704	1	266	133	3 092	63	357	657	1 151	698	–84
USA	2 827	19	5 815	11	2 968	6 881	2 404	2 615	6 374	5 653	14 413	4 442	6 587
Other OECD countries	467	3	2 554	5	910	992	1 740	3 934	5 962	3 873	2 521	2 097	954
Australia	4	0	37	0	..	–2	36	23	74	58	87	53	..
Japan	440	3	2 424	5	907	992	1 705	3 911	5 895	3 095	2 401	1 958	954
Mexico	20	0	7	0	1	2	–5	2	–2	2	17	45	–
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..
Turkey	3	0	86	0	2	0	4	–2	–5	718	16	41	–
NON-OECD AREA	**1 158**	**8**	**1 860**	**4**	**2 443**	**1 715**	**665**	**872**	**1 863**	**135**	**3 228**	**2 433**	**3 390**
Africa	15	0	51	0	123	73	42	46	–	99	–1	0	79
Egypt	15	0	11	0	..	..	..	2	–	99	–1	0	0
Other	..	..	40	0	123	73	42	44	..	..	..	..	79

Table 1. **Foreign direct investment: flows by country, 1980-1994** *(cont.)*

FF million

	1980-1985	%	1986-1994	%	1986	1987	1988	1989	1990	1991	1992	1993	1994
Central and Eastern Europe	55	0	684	1	17	13	67	26	1 668	29	6 816	–2 571	94
Bulgaria	..	..	..	..	..	..	..	..	..	..	..	..	..
CSFR	1	..	..	..	..	..	..	..	..	..	..	..	..
Hungary	..	..	..	..	..	..	..	..	..	..	..	..	..
Poland	5	0	..	..	..	..	..	..	..	..	..	..	..
Romania	..	..	..	..	1	..	..	..	..	..	..	..	..
USSR	44	0	562	1	14	..	–1	1	1 666	26	5 924	–2 571	..
Other	5	0	122	0	2	13	68	25	2	3	892	0	94
Latin America-Caribbean	137	1	143	0	13	330	52	119	–50	484	164	174	0
Argentina	7	0	6	0	–18	7	35	7	2	2	16	–1	..
Brazil	11	0	19	0	31	3	8	132	8	–16	5	–2	..
Chile	..	..	..	..	..	..	..	..	..	..	..	..	..
Other[1]	120	1	119	0	..	320	9	–20	–60	498	143	177	..
Middle East	423	3	419	1	..	559	414	840	–428	296	914	408	771
Oceania	..	..	..	..	..	..	..	..	..	..	..	..	..
South and East Asia	22	0	234	0	1	261	40	106	372	207	69	369	684
DAEs			250	0	..	261	40	53	369	202	288	360	675
Hong Kong	15	0	125	0	..	257	36	44	171	174	280	162	..
Korea	..	..	19	0	..	..	..	..	..	..	..	169	..
Malaysia	..	..	..	..	..	..	..	..	..	..	..	..	..
Singapore	1	0	30	0	..	4	4	9	198	28	8	22	..
Taiwan	..	..	..	..	..	..	..	..	..	..	..	..	..
Thailand	1	0	1	0	..	..	..	..	..	..	..	7	..
Other Asia	22	0	–15	0	1	..	..	53	3	5	–219	9	9
China	22	0	–21	0	1	0	0	0	3	5	–219	9	9
India	..	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..	..	..	..	..	..
Philippines	..	..	..	..	..	..	..	..	..	..	..	..	..
Other	..	..	6	0	..	..	..	53	..	..	..	..	..
Other countries	506	3	328	1	2 289	479	50	–265	301	–980	–4 734	4 053	1 762
TOTAL[2]	**14 866**	**100**	**53 031**	**100**	**19 162**	**27 860**	**42 797**	**60 945**	**49 275**	**62 662**	**84 287**	**69 321**	**60 971**

1. Including Cayman Islands and Netherlands Antilles.
2. Excluding reinvested earnings.

Source: Banque de France, Balance des paiements, annexes, various issues.

Table 2. **Foreign direct investment: position at year-end by country, 1989-1993**

FF million

	1989-1993	%	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
OECD AREA	**461 884**	**94**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**307 740**	**418 064**	**485 339**	**524 703**	**573 575**
Europe	350 244	71	n.a.	n.a.	n.a.	n.a.	n.a.	230 888	309 810	366 144	402 424	441 955
EC	283 723	58	n.a.	n.a.	n.a.	n.a.	n.a.	193 375	257 999	283 762	324 711	358 768
Belgium-Luxembourg	34 878	7	n.a.	n.a.	n.a.	n.a.	n.a.	21 214	29 509	30 664	42 558	50 444
Denmark	1 688	0	n.a.	n.a.	n.a.	n.a.	n.a.	844	2 215	2 211	1 571	1 599
France			..	..	..	..	..	..	..	..	..	..
Germany	48 356	10	n.a.	n.a.	n.a.	n.a.	n.a.	36 856	41 375	52 399	51 501	59 648
Greece	86	0	n.a.	n.a.	n.a.	n.a.	n.a.	71	113	50	81	116
Ireland	285	0	n.a.	n.a.	n.a.	n.a.	n.a.	43	35	352	416	581
Italy	30 552	6	n.a.	n.a.	n.a.	n.a.	n.a.	17 859	26 793	28 612	33 361	46 136
Netherlands	96 267	20	n.a.	n.a.	n.a.	n.a.	n.a.	60 483	83 300	102 600	119 865	115 089
Portugal	961	0	n.a.	n.a.	n.a.	n.a.	n.a.	177	1 258	1 026	1 449	896
Spain	4 624	1	n.a.	n.a.	n.a.	n.a.	n.a.	2 426	4 015	4 365	5 757	6 555
United Kingdom	66 008	13	n.a.	n.a.	n.a.	n.a.	n.a.	53 402	69 300	61 483	68 152	77 704
Other Europe	66 521	14	n.a.	n.a.	n.a.	n.a.	n.a.	37 513	51 811	82 382	77 713	83 187
Austria	463	0	n.a.	n.a.	n.a.	n.a.	n.a.	645	512	445	280	435
Finland	3 448	1	n.a.	n.a.	n.a.	n.a.	n.a.	1 228	3 225	4 434	4 276	4 078
Iceland	59	0	n.a.	n.a.	n.a.	n.a.	n.a.	0	14	82	59	139
Norway	2 089	0	n.a.	n.a.	n.a.	n.a.	n.a.	1 117	2 425	3 066	1 261	2 574
Sweden	16 163	3	n.a.	n.a.	n.a.	n.a.	n.a.	6 757	9 306	23 507	21 091	20 153
Switzerland	44 143	9	n.a.	n.a.	n.a.	n.a.	n.a.	27 545	36 100	50 823	50 595	55 651
Other	157	0	n.a.	n.a.	n.a.	n.a.	n.a.	221	229	25	151	157
North America	96 759	20	n.a.	n.a.	n.a.	n.a.	n.a.	69 231	94 160	102 269	103 855	114 281
Canada	3 791	1	n.a.	n.a.	n.a.	n.a.	n.a.	2 023	3 560	4 785	4 320	4 269
USA	92 968	19	n.a.	n.a.	n.a.	n.a.	n.a.	67 208	90 600	97 484	99 535	110 012
Other OECD countries	14 881	3	n.a.	n.a.	n.a.	n.a.	n.a.	7 621	14 094	16 926	18 424	17 339
Australia	369	0	n.a.	n.a.	n.a.	n.a.	n.a.	123	365	1 035	66	254
Japan	14 397	3	n.a.	n.a.	n.a.	n.a.	n.a.	7 393	13 632	15 797	18 262	16 901
Mexico	10	0	n.a.	n.a.	n.a.	n.a.	n.a.	17	16	–1	13	7
New Zealand	6	0	n.a.	n.a.	n.a.	n.a.	n.a.	14	16	0	0	0
Turkey	99	0	n.a.	n.a.	n.a.	n.a.	n.a.	74	65	95	83	177
NON-OECD AREA	**30 268**	**6**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**42 532**	**25 644**	**21 212**	**27 080**	**34 871**
Africa	3 091	1	n.a.	n.a.	n.a.	n.a.	n.a.	2 060	2 697	2 650	3 766	4 280
Egypt	61	0	n.a.	n.a.	n.a.	n.a.	n.a.	57	54	54	56	86
Other	3 029	1	n.a.	n.a.	n.a.	n.a.	n.a.	2 003	2 643	2 596	3 710	4 194

Table 2. **Foreign direct investment: position at year-end by country, 1989-1993** *(cont.)*

FF million

	1989-1993	%	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Central and Eastern Europe	3 044	1	n.a.	n.a.	n.a.	n.a.	n.a.	1 401	1 764	3 578	4 415	4 063
Bulgaria	43	0	n.a.	n.a.	n.a.	n.a.	n.a.	37	98	71	4	5
CSFR	13	0	n.a.	n.a.	n.a.	n.a.	n.a.	22	33	5	4	0
Hungary	4	0	n.a.	n.a.	n.a.	n.a.	n.a.	3	4	4	4	4
Poland	520	0	n.a.	n.a.	n.a.	n.a.	n.a.	92	171	877	710	751
Romania	61	0	n.a.	n.a.	n.a.	n.a.	n.a.	–0	65	64	67	71
USSR	2 371	0	n.a.	n.a.	n.a.	n.a.	n.a.	1 088	1 379	2 549	3 622	3 219
Other	32	0	n.a.	n.a.	n.a.	n.a.	n.a.	119	14	8	4	13
Latin America-Caribbean	2 465	1	n.a.	n.a.	n.a.	n.a.	n.a.	1 507	2 054	1 811	3 480	3 472
Argentina	79	0	n.a.	n.a.	n.a.	n.a.	n.a.	74	80	84	86	73
Brazil	662	0	n.a.	n.a.	n.a.	n.a.	n.a.	182	249	429	1 153	1 297
Chile	5	0	n.a.	n.a.	n.a.	n.a.	n.a.	..	6	7	7	6
Other[1]	1 718	0	n.a.	n.a.	n.a.	n.a.	n.a.	1 251	1 719	1 291	2 234	2 096
Middle East	5 107	1	n.a.	n.a.	n.a.	n.a.	n.a.	3 259	3 122	5 978	5 585	7 590
Israel	114	0	n.a.	n.a.	n.a.	n.a.	n.a.	143	125	104	84	113
Saudi Arabia	658	0	n.a.	n.a.	n.a.	n.a.	n.a.	261	257	327	765	1 682
Other	4 335	1	n.a.	n.a.	n.a.	n.a.	n.a.	2 855	2 740	5 547	4 736	5 795
Oceania	54	0	n.a.	n.a.	n.a.	n.a.	n.a.	..	..	3	259	6
South and East Asia	990	0	n.a.	n.a.	n.a.	n.a.	n.a.	–359	–199	1 412	1997	2 098
DAEs	548	0	n.a.	n.a.	n.a.	n.a.	n.a.	–563	–443	1 033	1 347	1 368
Hong Kong	163	0	n.a.	n.a.	n.a.	n.a.	n.a.	–655	–542	504	803	703
Korea	109	0	n.a.	n.a.	n.a.	n.a.	n.a.	64	40	123	127	191
Malaysia			n.a.	n.a.	n.a.	n.a.	n.a.	..	..	..	0	0
Singapore	212	0	n.a.	n.a.	n.a.	n.a.	n.a.	4	21	327	338	372
Taiwan	60	0	n.a.	n.a.	n.a.	n.a.	n.a.	24	38	69	83	88
Thailand	4	0	n.a.	n.a.	n.a.	n.a.	n.a.	..	..	10	–4	14
Other Asia	441	0	n.a.	n.a.	n.a.	n.a.	n.a.	204	244	379	650	730
China	243	0	n.a.	n.a.	n.a.	n.a.	n.a.	106	99	182	383	443
India	72	0	n.a.	n.a.	n.a.	n.a.	n.a.	57	47	75	79	103
Indonesia	31	0	n.a.	n.a.	n.a.	n.a.	n.a.	3	54	1	51	45
Philippines	56	0	n.a.	n.a.	n.a.	n.a.	n.a.	..	..	92	95	92
Other	40	0	n.a.	n.a.	n.a.	n.a.	n.a.	38	44	29	42	47
Other countries	15 518	3	n.a.	n.a.	n.a.	n.a.	n.a.	34 664	16 206	5 780	7 578	13 362
TOTAL	**492 152**	**100**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**350 272**	**443 708**	**506 551**	**551 783**	**608 446**

1. Including Cayman Islands and Netherlands Antilles.

Source: Banque de France, Note d'information: Encours des investissements directs étrangers en France, various issues.

Table 3. **Direct investment abroad: flows by country, 1980-1994**

FF million

	1980-1985	%	1986-1994	%	1986	1987	1988	1989	1990	1991	1992	1993	1994
OECD AREA	**16 398**	**88**	**79 021**	**92**	**32 115**	**49 012**	**73 018**	**109 521**	**142 813**	**108 531**	**92 408**	**52 289**	**51 483**
Europe	6 668	36	56 976	66	14 913	30 653	52 749	76 493	107 948	74 236	82 848	41 158	31 784
EC	5 502	30	52 520	61	12 168	28 198	48 349	71 663	100 165	61 330	79 584	38 134	33 085
Belgium-Luxembourg	657	4	9 638	11	1 114	5 727	16 237	14 612	10 521	9 429	18 783	2 567	7 751
Denmark	15	0	337	0	28	40	25	2 500	38	202	125	102	–25
France	..	..	..	..	..	..	..	..	..	..	..	..	..
Germany	1 089	6	6 245	7	1 292	651	3 444	6 866	11 589	8 384	12 192	6 038	5 745
Greece	130	1	348	0	112	418	177	493	699	225	201	273	531
Ireland	64	0	576	1	–44	306	1 027	904	268	892	446	570	813
Italy	1 068	6	6 299	7	1 857	1 756	4 760	9 417	9 479	7 669	10 157	6 198	5 396
Netherlands	788	4	10 269	12	4 183	6 986	5 906	12 182	22 021	8 646	19 759	7 113	5 624
Portugal	44	0	952	1	128	263	382	1 507	1 956	1 294	1 348	1 041	651
Spain	974	5	7 678	9	1 005	2 811	3 626	8 878	15 903	14 961	8 483	8 077	5 354
United Kingdom	674	4	10 171	12	2 493	9 226	12 642	14 304	27 677	9 628	8 108	6 216	1 245
Other Europe	1 166	6	4 456	5	2 745	2 455	4 400	4 830	7 783	12 906	3 264	3 024	–1 301
Austria	7	0	290	0	92	83	177	16	250	206	110	1 293	387
Finland	9	0	46	0	16	16	93	25	22	14	127	85	14
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..
Norway	–110	–1	139	0	25	746	343	43	1 807	–1 140	–347	–187	–37
Sweden	107	1	1 806	2	334	83	41	497	2 081	11 945	1 612	370	–710
Switzerland	1 152	6	2 063	2	2 277	1 527	3 746	3 239	3 623	1 881	1 762	1 463	–955
Other	1	0	112	0	1	..	..	1 010	..	..	..	..	..
North America	8 965	48	20 661	24	16 261	17 468	19 325	30 646	33 353	33 096	7 872	9 798	18 134
Canada	1 235	7	1 755	2	776	1 136	1 792	5 300	1 581	3 072	1 132	19	990
USA	7 729	42	18 906	22	15 485	16 332	17 533	25 346	31 772	30 024	6 740	9 779	17 144
Other OECD countries	434	2	1 384	2	941	891	944	2 382	1 512	1 199	1 688	1 333	1 565
Australia	228	1	403	0	703	208	703	1 265	405	269	150	–78	..
Japan	134	1	212	0	129	103	–5	180	168	154	581	299	298
Mexico	53	0	177	0	24	580	43	81	307	60	116	188	192
New Zealand	1	0	..	..	..	..	..	..	..	..	..	..	..
Turkey	19	0	592	1	85	..	203	856	632	716	841	924	1 075
NON-OECD AREA	**2 147**	**12**	**6 754**	**8**	**4 166**	**3 318**	**3 087**	**5 724**	**4 735**	**7 150**	**7 024**	**16 654**	**8 926**
Africa	124	1	248	0	374	126	204	99	113	1	35	2 779	1 282
Ivory Coast	..	..	..	..	..	..	..	..	..	..	..	..	..
Other	124	1	248	0	374	126	204	99	113	1	35	2 779	1 282

Table 3. **Direct investment abroad: flows by country, 1980-1994** *(cont.)*

FF million

	1980-1985	%	1986-1994	%	1986	1987	1988	1989	1990	1991	1992	1993	1994
Central and Eastern Europe	81	0	528	1	102	2	90	62	265	1 382	2 121	100	624
Bulgaria	..	..	..	..	..	..	..	..	..	..	..	..	..
CSFR	1	0	..	..	..	..	..	..	..	..	..	..	..
Hungary	..	..	..	..	..	..	..	..	..	..	..	..	..
Poland	..	..	..	..	..	..	..	..	..	..	..	..	..
Romania	2	0	..	..	1	..	..	..	..	..	..	..	..
USSR	..	..	151	0	..	..	43	10	47	205	327	100	624
Other	78	0	377	0	101	2	47	52	218	1 177	1 794	–	..
Latin America-Caribbean	197	1	695	1	296	78	396	279	838	–185	660	5 452	2 775
Argentina	–148	–1	345	0	15	127	63	108	273	106	166	521	1 724
Brazil	263	1	84	0	193	–83	308	–114	446	–455	217	243	..
Chile	..	..	..	..	..	..	..	..	..	..	..	..	..
Other[1]	82	0	266	0	88	34	25	285	119	164	277	4 688	1 051
Middle East	302	2	975	1	740	847	614	4 418	652	553	963	1 270	..
Dubai	..	..	..	..	..	..	..	..	..	..	..	..	..
Saudi Arabia	29	0	89	0	88	109	25	–1	19	546	25	–9	..
Other	273	1	886	1	652	738	589	4 419	633	7	938	1 279	..
Oceania	..	..	..	..	..	..	..	..	..	..	..	..	..
South and East Asia	168	1	1 162	1	102	1 341	915	689	1 039	920	1 688	2 021	1 820
DAEs			796	1	..	1 156	913	761	1 044	457	1 392	1 443	..
Hong Kong	55	0	332	0	1 263	572	235	112	279	387	–16	153	..
Korea	20	0	126	0	7	..	207	156	214	159	262	129	..
Malaysia	..	..	..	..	..	..	..	..	..	..	..	..	..
Singapore	59	0	282	0	80	485	350	210	358	–381	754	686	..
Taiwan	..	..	..	..	..	..	..	..	..	..	..	..	..
Thailand	7	0	207	0	7	99	121	283	193	292	392	475	..
Other Asia	168	1	231	0	102	185	2	–72	–5	463	296	578	605
China	168	1	231	0	102	185	2	–72	–5	463	296	505	605
India	..	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..	..	..	..	..	..
Philippines	..	..	..	..	..	..	..	..	..	..	..	..	..
Other	..	..	..	..	..	..	..	..	..	..	..	73	..
Other countries	1 275	7	3 145	4	2 552	924	868	177	1 828	4 479	1 557	5 032	2 425
TOTAL[2]	**18 545**	**100**	**85 775**	**100**	**36 281**	**52 330**	**76 105**	**115 245**	**147 548**	**115 681**	**99 432**	**68 943**	**60 409**

1. Including Cayman Islands and Netherlands Antilles.
2. Excluding reinvested earnings.

Source: Banque de France, Balance des paiements, annexes, various issues.

Table 4. **Direct investment abroad: position at year-end by country, 1987-1993**

FF million

	1987-1993	%	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
OECD AREA	**475 933**	**86**	**n.a.**	**n.a.**	**n.a.**	**237 868**	**277 498**	**400 382**	**480 710**	**579 459**	**657 180**	**698 431**
Europe	345 446	62	n.a.	n.a.	n.a.	161 225	193 388	268 398	349 939	437 256	497 066	510 847
EC	304 743	55	n.a.	n.a.	n.a.	128 063	160 203	235 499	309 444	391 810	450 098	458 085
Belgium-Luxembourg	51 521	9	n.a.	n.a.	n.a.	21 999	27 074	45 990	49 200	60 084	69 028	87 270
Denmark	729	0	n.a.	n.a.	n.a.	262	163	1 563	1	1 732	903	477
France		0	n.a.	n.a.	n.a.	..	..	..	..	..	..	..
Germany	30 741	6	n.a.	n.a.	n.a.	18 945	17 797	20 572	24 700	30 658	50 597	51 916
Greece	1 582	0	n.a.	n.a.	n.a.	901	2 002	1 039	1 314	1 384	1 657	2 780
Ireland	4 107	1	n.a.	n.a.	n.a.	801	713	894	5 400	10 043	5 320	5 580
Italy	26 968	5	n.a.	n.a.	n.a.	11 494	14 822	21 608	33 400	33 163	36 852	37 438
Netherlands	91 512	17	n.a.	n.a.	n.a.	27 827	35 481	73 012	91 400	117 264	152 040	143 562
Portugal	5 282	1	n.a.	n.a.	n.a.	1 849	1 657	2 683	5 829	6 032	9 493	9 428
Spain	39 715	7	n.a.	n.a.	n.a.	21 628	27 442	32 916	39 200	58 725	53 889	44 205
United Kingdom	52 586	10	n.a.	n.a.	n.a.	22 357	33 052	35 222	59 000	72 725	70 319	75 429
Other Europe	40 702	7	n.a.	n.a.	n.a.	33 162	33 185	32 899	40 495	45 446	46 968	52 762
Austria	719	0	n.a.	n.a.	n.a.	420	573	517	820	764	694	1 247
Finland	135	0	n.a.	n.a.	n.a.	..	184	111	206	182	262	..
Iceland		0	n.a.	n.a.	n.a.	..	..	..	..	..	0	..
Norway	709	0	n.a.	n.a.	n.a.	1 401	463	–406	734	482	1 121	1 171
Sweden	3 770	1	n.a.	n.a.	n.a.	528	487	1 167	1 098	7 848	7 994	7 265
Switzerland	35 340	6	n.a.	n.a.	n.a.	30 813	31 471	31 440	37 600	36 117	36 857	43 079
Other	30	0	n.a.	n.a.	n.a.	..	7	70	37	53	40	..
North America	121 027	22	n.a.	n.a.	n.a.	72 561	79 646	124 847	122 300	131 326	148 650	167 858
Canada	12 734	2	n.a.	n.a.	n.a.	5 537	8 451	17 633	13 800	13 233	16 027	14 457
USA	108 293	20	n.a.	n.a.	n.a.	67 024	71 195	107 214	108 500	118 093	132 623	153 401
Other OECD countries	9 460	2	n.a.	n.a.	n.a.	4 082	4 464	7 137	8 471	10 877	11 464	19 726
Australia	3 787	1	n.a.	n.a.	n.a.	1 826	2 150	3 809	4 686	4 772	4 829	4 437
Japan	2 284	0	n.a.	n.a.	n.a.	1 849	1 376	1 811	1 783	2 164	2 718	4 289
Mexico	2 025	0	n.a.	n.a.	n.a.	407	719	878	1 063	1 248	1 359	8 499
New Zealand	131	0	n.a.	n.a.	n.a.	..	137	228	309	71	169	..
Turkey	1 234	0	n.a.	n.a.	n.a.	..	82	411	630	2 622	2 389	2 501
NON-OECD AREA	**76 913**	**14**	**n.a.**	**n.a.**	**n.a.**	**38 154**	**34 302**	**36 118**	**84 090**	**93 441**	**116 920**	**135 364**
Africa	9 650	2	n.a.	n.a.	n.a.	8 650	9 570	9 803	9 674	9 327	12 366	8 163
Ivory Coast	1 596	0	n.a.	n.a.	n.a.	1 919	1 291	1 698	1 589	1 730	1 495	1 449
Other	8 055	1	n.a.	n.a.	n.a.	6 731	8 279	8 105	8 085	7 597	10 871	6 714

Table 4. **Direct investment abroad: position at year-end by country, 1987-1993** *(cont.)*

FF million

	1987-1993	%	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Central and Eastern Europe	810	0	n.a.	n.a.	n.a.	..	..	..	59	963	2 019	2 628
Bulgaria			n.a.	n.a.	n.a.	..	..	..	..	..	..	..
CSFR	361	0	n.a.	n.a.	n.a.	..	83	29	16	228	1 060	1 112
Hungary	366	0	n.a.	n.a.	n.a.	..	0	11	195	312	531	1 516
Poland	45	0	n.a.	n.a.	n.a.	..	..	..	1	147	166	..
Romania	–241	0	n.a.	n.a.	n.a.	..	–758	–716	–247	6	25	..
USSR	75	0	n.a.	n.a.	n.a.	..	..	30	84	220	189	..
Other	17	0	n.a.	n.a.	n.a.	..	..	9	10	50	48	..
Latin America-Caribbean	16 752	3	n.a.	n.a.	n.a.	13 693	12 017	14 596	12 994	16 499	22 466	24 999
Argentina	2 365	0	n.a.	n.a.	n.a.	2 000	1 566	845	1 837	1 562	3 429	5 317
Brazil	8 954	2	n.a.	n.a.	n.a.	7 014	6 809	10 109	6 474	8 087	9 950	14 237
Chile	1 222	0	n.a.	n.a.	n.a.	220	258	433	1 766	2 332	2 386	1 160
Other[1]	4 210	1	n.a.	n.a.	n.a.	4 459	3 384	3 209	2 917	4 518	6 701	4 285
Middle East	2 235	0	n.a.	n.a.	n.a.	1 680	2 935	2 733	2 263	1 600	2 880	1 557
Abou-Dhabi	198	0	n.a.	n.a.	n.a.	429	470	433	55	–	–	..
Saudi Arabia	931	0	n.a.	n.a.	n.a.	610	775	854	805	581	1 333	1 557
Other	1 107	0	n.a.	n.a.	n.a.	641	1 690	1 446	1 403	1 019	1 547	..
Oceania	258	0	n.a.	n.a.	n.a.	..	261	334	567	279	362	..
South and East Asia	8 906	2	n.a.	n.a.	n.a.	3 418	5 917	6 176	12 761	10 233	13 109	10 731
DAEs	6 851	1	n.a.	n.a.	n.a.	3 127	5 390	5 265	10 039	6 828	8 653	8 657
Hong Kong	2 360	0	n.a.	n.a.	n.a.	1 337	2 700	2 727	2 305	2 166	2 676	2 607
Korea	1 004	0	n.a.	n.a.	n.a.	429	716	702	860	1 011	1 410	1 903
Malaysia	166	0	n.a.	n.a.	n.a.	..	530	127	125	189	188	..
Singapore	2 635	0	n.a.	n.a.	n.a.	1 224	1 105	1 214	6 224	2 454	3 095	3 130
Taiwan	274	0	n.a.	n.a.	n.a.	137	176	149	281	319	490	367
Thailand	412	0	n.a.	n.a.	n.a.	..	163	346	244	689	794	650
Other Asia	2 055	0	n.a.	n.a.	n.a.	291	527	911	2 722	3 405	4 456	2 074
China	499	0	n.a.	n.a.	n.a.	291	328	337	365	536	810	827
India	167	0	n.a.	n.a.	n.a.	..	65	102	142	110	114	634
Indonesia	1 208	0	n.a.	n.a.	n.a.	..	57	314	2 053	2 562	2 857	613
Philippines	42	0	n.a.	n.a.	n.a.	..	45	66	66	54	60	..
Other	140	0	n.a.	n.a.	n.a.	..	32	92	96	143	615	..
Other countries	38 301	7	n.a.	n.a.	n.a.	10 713	3 602	2 476	45 772	54 540	63 718	87 286
TOTAL	**552 845**	**100**	**n.a.**	**n.a.**	**n.a.**	**276 022**	**311 800**	**436 500**	**564 800**	**672 900**	**774 100**	**833 795**

1. Including Cayman Islands and Netherlands Antilles.

Source: Banque de France, Note d'information: Encours des investissements directs étrangers en France, various issues.

Table 5. **Foreign direct investment: flows by sector, 1980-1994**

FF million

	1980-1985	%	1986-1994	%	1986	1987	1988	1989	1990	1991	1992	1993	1994
PRIMARY	**87**	**1**	**416**	**1**	**265**	**22**	**473**	**304**	**316**	**5**	**2 076**	**298**	**–18**
Agriculture	–16	0	42	0	–17	74	92	–195	58	70	44	126	124
Mining and quarrying	127	1	–3	0	42	5	–26	–12	–14	–4	–17	0	0
Oil[1]	–25	0	377	1	240	–57	407	511	272	–61	2 049	172	–142
SECONDARY	**4 647**	**31**	**14 699**	**28**	**5 177**	**12 089**	**19 159**	**7 620**	**9 212**	**23 950**	**25 955**	**15 152**	**13 981**
Food, beverages and tobacco	312	2	3 527	7	462	2 294	11 877	–1 672	1 200	1 950	9 139	4 763	1 729
Textiles, leather and clothing	140	1	612	1	373	830	979	492	251	567	981	445	591
Paper, printing and publishing	81	1	1 607	3	57	1 169	2 374	3 181	3 767	1 133	907	596	1 277
Chemical products	1 271	8	2 123	4	380	4 144	–584	716	2 924	2 313	3 416	2 899	2 895
Coal and petroleum products	..	..	..	..	..	..	..	..	..	..	..	..	..
Non-metallic products[2]	267	2	1 284	2	461	283	1 470	918	762	1 093	1 629	3 877	1 067
Metal products	1 297	9	683	1	267	1 034	630	886	1 099	–815	443	423	2 180
Mechanical equipment[3]	296	2	960	2	1 080	962	321	1 296	–1 220	1 129	806	2 117	2 149
Electric and electronic equipment[4]	404	3	1992	4	1 600	1 417	1 611	1 595	–345	1 173	9 274	670	931
Motor vehicles	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transport equipment[5]	224	1	1 808	3	449	128	178	94	840	15 251	–786	–659	778
Other manufacturing	355	2	104	0	48	–172	303	114	–66	156	146	21	384
TERTIARY	**9 475**	**63**	**35 854**	**68**	**12 357**	**14 609**	**20 079**	**48 496**	**36 351**	**37 415**	**55 139**	**52 746**	**45 491**
Construction	40	0	21	0	134	–101	–1	104	–28	–498	246	132	202
Wholesale and retail trade	2 649	18	4 273	8	2 798	3 399	2 300	4 681	8 210	3 246	5 614	5 829	2 381
Transport and storage	33	0	497	1	–96	–100	–295	954	614	1 090	874	645	791
Finance, insurance and business services	1 475	10	14 115	27	4 674	6 117	9 623	25 697	15 957	11 751	22 757	16 991	13 470
Communication	..	..	32	0	..	–30	–38	–9	2	15	36	74	234
Other services[6]	5 279	35	16 915	32	4 847	5 324	8 490	17 069	11 596	21 811	25 612	29 075	28 413
UNALLOCATED	**782**	**5**	**2 062**	**4**	**1 363**	**1 140**	**3 086**	**4 525**	**3 396**	**1 292**	**1 117**	**1 125**	**1 517**
TOTAL[7]	**14 991**	**100**	**53 031**	**100**	**19 162**	**27 860**	**42 797**	**60 945**	**49 275**	**62 662**	**84 287**	**69 321**	**60 971**

1. Including coal, lignite, oil, natural gas and refined products.
2. Including rubber and plastic materials.
3. including agricultural and other machinery.
4. Including office machinery.
5. Including motor vehicles of which the amount is not separately reported.
6. Including hotels and restaurants, real estate, holdings and other professional services.
7. Excluding reinvested earnings.

Source: Banque de France, Balance des paiements, annexes, various issues.

Table 6. **Foreign direct investment: position at year-end by sector, 1989-1993**

FF million

	1989-1993	%	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
PRIMARY	**27 032**	**5**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**23 199**	**28 038**	**27 372**	**28 700**	**27 849**
Agriculture	937	0	n.a.	n.a.	n.a.	n.a.	n.a.	958	1 131	920	800	877
Mining and quarrying[1]	3 641	1	n.a.	n.a.	n.a.	n.a.	n.a.	3 013	3 114	3 161	4 400	4 515
Oil[2]	22 454	5	n.a.	n.a.	n.a.	n.a.	n.a.	19 228	23 793	23 291	23 500	22 457
SECONDARY	**181 595**	**37**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**134 753**	**164 281**	**199 168**	**196 900**	**212 874**
Food, beverages and tobacco	23 411	5	n.a.	n.a.	n.a.	n.a.	n.a.	16 233	17 983	22 090	28 200	32 551
Textiles, leather and clothing	5 610	1	n.a.	n.a.	n.a.	n.a.	n.a.	4 686	5 434	5 401	6 500	6 029
Paper, printing and publishing	15 125	3	n.a.	n.a.	n.a.	n.a.	n.a.	10 040	16 338	19 010	15 100	15 135
Chemical products[3]	47 481	10	n.a.	n.a.	n.a.	n.a.	n.a.	32 484	40 440	52 187	52 400	59 892
Coal and petroleum products		0	n.a.	n.a.	n.a.	n.a.	n.a.	. .	. .	. .	. .	. .
Non-metallic products	9 889	2	n.a.	n.a.	n.a.	n.a.	n.a.	5 365	12 980	13 516	8 600	8 984
Metal products	10 676	2	n.a.	n.a.	n.a.	n.a.	n.a.	10 206	9 414	11 238	11 900	10 623
Mechanical equipment[4]	13 304	3	n.a.	n.a.	n.a.	n.a.	n.a.	14 712	11 518	14 947	13 500	11 841
Electric and electronic equipment	36 915	8	n.a.	n.a.	n.a.	n.a.	n.a.	30 571	37 611	34 765	38 400	43 228
Motor vehicles		0	n.a.	n.a.	n.a.	n.a.	n.a.	. .	. .	. .	. .	. .
Other transport equipment[5]	16 631	3	n.a.	n.a.	n.a.	n.a.	n.a.	8 211	10 776	22 477	19 500	22 190
Other manufacturing	2 554	1	n.a.	n.a.	n.a.	n.a.	n.a.	2 245	1 787	3 537	2 800	2 401
TERTIARY	**273 805**	**56**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**192 731**	**248 488**	**235 980**	**326 200**	**365 627**
Construction	1 912	0	n.a.	n.a.	n.a.	n.a.	n.a.	2 058	2 243	1 458	1 900	1 901
Wholesale and retail trade	53 667	11	n.a.	n.a.	n.a.	n.a.	n.a.	43 465	53 009	50 912	58 500	62 448
Transport and storage	2 791	1	n.a.	n.a.	n.a.	n.a.	n.a.	2 120	2 691	3 177	3 400	2 568
Finance, insurance and business services	90 755	18	n.a.	n.a.	n.a.	n.a.	n.a.	66 339	81 148	67 462	110 900	127 924
Communication	160	0	n.a.	n.a.	n.a.	n.a.	n.a.	. .	11	263	200	324
Other services[6]	124 521	25	n.a.	n.a.	n.a.	n.a.	n.a.	78 749	109 386	112 708	151 300	170 462
UNALLOCATED	**9 720**	**2**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**–411**	**2 901**	**44 031**	**–17**	**2 096**
TOTAL	**492 152**	**100**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**350 272**	**443 708**	**506 551**	**551 783**	**608 446**

1. Including all source of energy except coal, lignite, oil, natural gas and refined products.
2. Including coal, lignite, oil, natural gas and refined products.
3. Including rubber and plastic materials.
4. Including agricultural and other machinery.
5. Including motor vehicles of which the amount is not separately reported.
6. Including hotels and restaurants, real estate, holdings and other professional services.

Source: Banque de France, Note d'Information: Encours des investissements directs étrangers en France, various issues.

Table 7. Direct investment abroad: flows by sector, 1980-1994

FF million

	1980-1985	%	1986-1994	%	1986	1987	1988	1989	1990	1991	1992	1993	1994
PRIMARY	**5 225**	**28**	**6 106**	**7**	**3 386**	**1 654**	**7 193**	**9 955**	**7 683**	**3 686**	**4 758**	**7 830**	**8 811**
Agriculture	74	0	74	0	23	57	141	97	121	136	97	29	–39
Mining and quarrying	159	1	1 235	1	77	401	1 743	1 493	1 520	1 486	612	1 000	2 781
Oil [1]	4 992	27	4 798	6	3 286	1 196	5 309	8 365	6 042	2 064	4 049	6 801	6 069
SECONDARY	**5 476**	**30**	**33 148**	**39**	**12 906**	**20 188**	**32 705**	**56 474**	**57 117**	**45 091**	**36 189**	**17 376**	**20 284**
Food, beverages and tobacco	591	3	6 887	8	735	5 136	9 973	12 503	11 913	8 139	8 111	2 867	2 609
Textiles, leather and clothing	170	1	776	1	472	426	526	615	1 612	1 366	1 117	294	557
Paper, printing and publishing	3	0	1 059	1	161	168	2 755	1 675	2 974	508	720	651	–83
Chemical products	553	3	6 272	7	3 726	4 691	4 060	11 028	14 263	3 158	5 297	–260	10 487
Coal and petroleum products	..	..	..	..	..	..	..	..	..	..	..	..	..
Non-metallic products [2]	103	1	3 387	4	789	1 406	6 260	3 844	4 493	4 200	3 107	4 720	1 660
Metal products	2 318	12	3 255	4	152	500	3 173	11 660	5 956	4 321	1 382	1 774	377
Mechanical equipment [3]	50	0	765	1	196	106	995	1 298	1 347	816	564	112	1 447
Electric and electronic equipment [4]	362	2	8 537	10	5 137	6 044	3 537	9 990	10 626	10 642	17 223	6 117	7 515
Motor vehicles	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transport equipment [5]	452	2	2 080	2	1 444	1 623	1 271	3 746	3 678	11 893	–1 503	896	–4 330
Other manufacturing	877	5	131	0	94	88	155	115	255	48	171	205	45
TERTIARY	**7 260**	**39**	**45 429**	**53**	**19 280**	**29 762**	**34 428**	**47 705**	**81 560**	**65 352**	**57 044**	**43 067**	**30 667**
Construction	276	1	1 795	2	1 602	1 278	1 233	2 082	2 203	2 735	1 279	2 118	1 624
Wholesale and retail trade	1 195	6	4 220	5	1 727	1 336	2 819	3 442	7 519	5 190	8 494	4 650	2 806
Transport and storage	364	2	886	1	853	888	660	669	768	550	1 786	541	1 259
Finance, insurance and business services	3 429	18	22 521	26	5 757	21 422	26 285	28 666	42 824	22 314	23 945	19 798	11 674
Communication	52	0	141	0	159	..	76	72	255	66	60	106	476
Other services [6]	1 944	10	15 867	18	9 182	4 838	3 355	12 774	27 991	34 497	21 480	15 854	12 828
UNALLOCATED	**590**	**3**	**1 092**	**1**	**709**	**726**	**1 780**	**1 111**	**1 188**	**1 552**	**1 441**	**670**	**647**
TOTAL [7]	**18 552**	**100**	**85 775**	**100**	**36 281**	**52 330**	**76 106**	**115 245**	**147 548**	**115 681**	**99 432**	**68 943**	**60 409**

1. Including coal, lignite, oil, natural gas and refined products.
2. Including rubber and plastic materials.
3. Including agricultural and other machinery.
4. Including office machinery.
5. Including motor vehicles of which the amount is not separately reported.
6. Including hotels and restaurants, real estate, holdings and other professional services.
7. Excluding reinvested earnings.

Source: Banque de France, Balance des paiements, annexes, various issues.

Table 8. Direct investment abroad: position at year-end by sector, 1987-1993

FF millions

	1987-1993	%	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
PRIMARY	**35 134**	**6**	**n.a.**	**n.a.**	**n.a.**	**10 947**	**23 766**	**25 429**	**46 910**	**33 032**	**56 439**	**49 417**
Agriculture	664	0	n.a.	n.a.	n.a.	207	277	421	1 121	665	852	1 108
Mining and quarrying[1]	10 440	2	n.a.	n.a.	n.a.	3 998	13 685	8 980	13 250	13 545	10 439	9 182
Oil[2]	24 030	4	n.a.	n.a.	n.a.	6 742	9 804	16 028	32 539	18 822	45 148	39 127
SECONDARY	**234 175**	**42**	**n.a.**	**n.a.**	**n.a.**	**137 964**	**152 184**	**192 771**	**231 303**	**276 412**	**311 843**	**336 747**
Food, beverages and tobacco	26 229	5	n.a.	n.a.	n.a.	10 031	16 755	25 164	34 404	29 080	32 708	35 460
Textiles, leather and clothing	4 589	1	n.a.	n.a.	n.a.	3 064	4 053	4 270	4 762	5 955	6 016	4 000
Paper, printing and publishing	7 683	1	n.a.	n.a.	n.a.	2 033	1 549	3 112	5 521	9 609	14 502	17 453
Chemical products[3]	67 006	12	n.a.	n.a.	n.a.	44 568	42 293	50 696	76 203	81 741	83 667	89 872
Coal and petroleum products		0	n.a.	n.a.	n.a.	..	..	..	..	..	..	..
Non-metallic products	21 762	4	n.a.	n.a.	n.a.	27 066	27 882	28 336	14 543	16 473	17 044	20 990
Metal products	25 103	5	n.a.	n.a.	n.a.	15 544	16 311	25 195	27 804	28 303	30 937	31 624
Mechanical equipment[4]	5 584	1	n.a.	n.a.	n.a.	5 659	4 845	6 531	6 829	3 160	3 882	8 184
Electric and electronic equipment	49 923	9	n.a.	n.a.	n.a.	12 671	16 809	29 680	42 148	68 179	90 322	89 653
Motor vehicles		0	n.a.	n.a.	n.a.	..	..	..	..	..	..	..
Other transport equipment[5]	24 623	4	n.a.	n.a.	n.a.	16 327	20 166	18 724	17 332	32 352	31 367	36 090
Other manufacturing	1 674	0	n.a.	n.a.	n.a.	1 001	1 521	1 063	1 757	1 560	1 398	3 421
TERTIARY	**283 577**	**51**	**n.a.**	**n.a.**	**n.a.**	**127 110**	**135 877**	**218 546**	**286 621**	**363 439**	**405 813**	**447 631**
Construction	8 631	2	n.a.	n.a.	n.a.	6 992	4 469	5 655	7 772	10 322	11 813	13 393
Wholesale and retail trade	39 022	7	n.a.	n.a.	n.a.	25 078	23 759	32 351	34 695	40 847	49 267	67 154
Transport and storage	6 992	1	n.a.	n.a.	n.a.	5 962	5 286	5 031	6 519	7 464	9 981	8 701
Finance, insurance and business services	131 323	24	n.a.	n.a.	n.a.	64 882	67 901	107 561	142 456	161 172	177 737	197 549
Communication	474	0	n.a.	n.a.	n.a.	193	146	73	278	468	431	1 732
Other services[6]	97 135	18	n.a.	n.a.	n.a.	24 003	34 316	67 875	94 901	143 166	156 584	159 102
UNALLOCATED	**–41**	**0**	**n.a.**	**n.a.**	**n.a.**	**1**	**–27**	**–246**	**–34**	**17**	**5**	**0**
TOTAL	**552 845**	**100**	**n.a.**	**n.a.**	**n.a.**	**276 022**	**311 800**	**436 500**	**564 800**	**672 900**	**774 100**	**833 795**

1. Including all source of energy except coal, lignite, oil, natural gas and refined products.
2. Including coal, lignite, oil, natural gas and refined products.
3. Including rubber and plastic materials.
4. Including agricultural and other machinery.
5. Including motor vehicles of which the amount is not separately reported.
6. Including hotels and restaurants, real estate, holdings and other professional services.

Source: Banque de France, Note d'Information: Encours des investissements directs étrangers en France, various issues.

Annex 4

Statistics on direct investment flows in OECD countries

Table 1. **Foreign direct investment in OECD countries: inflows 1971-1994**[1]

US$ million

	Cumulative flows 1971-1980	Cumulative flows 1981-1990	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Australia	11 295	40 369	2 994	428	2 099	3 457	3 873	7 936	7 887	7 060	4 904	4 912	3 381	3 789
Austria	1 455	3 274	219	116	169	181	402	437	578	647	359	940	982	1 314
Belgium-Luxembourg[2]	9 215	28 182	1 271	360	957	631	2 338	4 990	6 731	8 162	8 919	10 959	10 458	8 899
Canada[2]	5 534	33 699	2 003	4 754	1 298	2 781	8 038	6 456	5 018	7 852	2 747	4 461	4 980	6 031
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	568	862
Denmark	1 561	3 388	64	9	109	161	88	504	1 084	1 133	1 530	1 015	1 684	4 890
Finland	376	2 838	84	138	110	340	265	530	489	787	–247	396	865	1 578
France[2]	16 908	43 194	1 631	2 198	2 210	2 742	4 621	7 204	9 552	9 040	11 073	15 928	12 142	10 955
Germany	13 969	18 029	1 775	553	587	1 190	1 901	1 203	7 131	2 529	4 089	2 662	1 779	688
Greece	..	6 145	439	485	447	471	683	907	752	1 005	1 135	1 144	977	981
Iceland[2]	..	12	..	14	23	8	2	–14	–27	6	17	–13	–5	..
Ireland	1 659	1 212	168	119	159	–43	89	91	85	99	97	102	88	90
Italy[2]	5 698	24 888	1 200	1 329	1 071	–21	4 144	6 882	2 181	6 344	2 481	3 210	3 751	2 236
Japan[2]	1 424	3 281	416	–10	642	226	1 165	–485	–1 054	1 753	1 368	2 728	86	888
Mexico	..	24 418	2 192	1 542	1 984	2 400	2 634	2 879	3 174	2 634	4 762	4 393	4 901	7 978
Netherlands	10 822	28 203	688	610	740	1 497	2 486	3 903	6 648	9 167	5 002	7 025	6 301	4 409
New Zealand	2 598	3 945	243	119	227	390	238	156	434	1 686	1 695	1 089	2 376	2 790
Norway	3 074	4 831	336	–210	–412	1 023	184	285	1 511	1 004	–291	720	1 951	651
Portugal[3]	535	6 918	150	194	273	241	465	925	1 740	2 608	2 451	1 914	1 550	1 255
Spain[2]	7 060	46 000	1 647	1 773	1 945	3 442	4 548	7 016	8 433	13 681	10 423	8 115	6 746	10 024
Sweden	897	8 612	223	290	396	1 079	646	1 661	1 809	1 965	6 327	–125	3 688	6 324
Switzerland	..	12 432	286	520	1 050	1 778	2 044	42	2 254	4 458	2 613	411	–83	2 947
Turkey[4]	228	2 340	46	113	99	125	106	354	663	684	910	912	797	637
United Kingdom	40 503	130 469	5 132	–241	5 780	8 557	15 450	21 356	30 369	32 889	15 974	14 944	14 536	11 066
United States	56 276	359 650	10 458	24 748	20 010	35 623	58 219	57 279	67 737	47 916	22 004	18 885	41 738	50 066
TOTAL	**188 249**	**836 329**	**33 665**	**39 951**	**41 973**	**68 286**	**114 629**	**132 497**	**165 179**	**165 109**	**110 342**	**106 727**	**126 237**	**141 348**

1. Data updated in February 1996.
2. Reinvested earnings are not included in national statistics.
3. Figures for Portugal are only available from 1975 onward.
4. Cumulated inflows since 1954.

Source: OECD/DAF – Based on official national statistics from the balance of payments converted into US$ at daily average exchange rate.

Table 2. **Foreign direct investment in OECD countries: inflows 1983-1994**[1]

As a percentage of GDP

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Australia	1.8	0.2	1.3	2.1	2.0	3.2	2.7	2.3	1.6	1.7	0.9	1.2
Austria	0.3	0.2	0.3	0.2	0.3	0.3	0.5	0.4	0.2	0.5	0.5	0.7
Belgium-Luxembourg[2]	1.5	0.4	1.1	0.5	1.6	3.2	4.2	4.1	4.3	4.7	4.9	3.9
Canada[2]	0.1	0.4	–0.6	0.3	0.8	0.7	0.3	1.2	1.1	0.9	1.1	1.1
Czech Republic	..	..	..	..	..	..	..	..	..	..	1.8	2.4
Denmark	0.1	0.0	0.2	0.2	0.1	0.5	1.0	0.9	1.2	0.7	1.2	3.3
Finland	0.2	0.3	0.2	0.5	0.3	0.5	0.4	0.6	–0.2	0.4	0.7	1.6
France[2]	0.3	0.4	0.4	0.4	0.5	0.7	1.0	0.8	0.9	1.2	1.0	0.8
Germany	0.3	0.1	0.1	0.1	0.2	0.1	0.6	0.2	0.3	0.1	0.0	0.0
Greece	1.3	1.4	1.3	1.2	1.5	1.7	1.4	1.5	1.6	1.5	1.3	1.0
Iceland[2]	0.0	0.5	0.8	0.2	0.0	–0.2	–0.5	0.1	0.5	0.3	0.0	..
Ireland	0.9	0.7	0.8	–0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Italy[2]	0.3	0.3	0.3	0.0	0.5	0.8	0.3	0.6	0.2	0.3	0.4	0.2
Japan[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Mexico	1.8	1.0	1.9	2.8	3.0	1.7	1.7	1.1	1.7	1.3	1.4	2.1
Netherlands	0.6	0.5	0.5	1.0	1.1	1.8	2.8	3.1	1.7	1.8	1.8	1.3
New Zealand	1.0	0.5	1.0	1.4	0.7	0.4	1.0	3.9	4.0	2.6	5.9	5.4
Norway	0.6	–0.4	–0.7	1.5	0.2	0.3	1.7	1.0	–0.3	0.6	2.0	0.5
Portugal	0.7	0.9	1.1	0.6	1.0	1.7	3.5	4.3	4.6	3.6	1.5	1.4
Spain[2]	1.0	1.1	1.2	1.5	1.6	2.0	2.2	2.8	2.0	1.4	1.5	2.1
Sweden	0.2	0.3	0.4	0.8	0.4	0.9	0.9	0.9	2.6	0.1	2.0	3.2
Switzerland	0.3	0.6	1.1	1.3	1.2	0.0	1.3	2.0	1.1	0.2	0.0	1.1
Turkey	0.1	0.2	0.2	0.2	0.2	0.5	0.8	0.6	0.7	0.8	0.2	0.5
United Kingdom	1.1	–0.1	1.3	1.5	2.2	2.6	3.6	3.4	1.6	1.7	1.5	1.1
United States	0.3	0.7	0.5	0.9	1.3	1.2	1.3	0.9	0.5	0.1	0.3	0.8

1. Data updated in February 1996.
2. Reinvested earnings are not included in national statistics.

Source: OECD/DAF – Based on official national statistics from the balance of payments.

Table 3. **Direct investment abroad from OECD countries: outflows 1971-1995**[1]

US$ million

	Cumulative flows		Flows of direct investment abroad												
	1971-1980	1981-1990	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995*
Australia	2 510	22 261	518	1 402	1 887	3 419	5 096	4 985	3 267	260	3 105	113	1 087	5 908	..
Austria	578	4 132	190	68	74	313	312	309	855	1 663	1 288	1 871	1 457	1 201	1 050
Belgium-Luxembourg[2]	3 213	21 454	358	282	231	1 627	2 680	3 609	6 114	6 600	6 179	11 134	3 843	2 492	..
Canada[2]	11 335	41 847	2 633	3 685	3 862	3 501	8 538	3 848	4 583	4 732	5 652	3 689	5 805	4 778	4 783
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	90	116	..
Denmark	1 063	6 292	159	93	303	646	618	719	2 027	1 509	1 851	2 225	1 379	4 040	3 018
Finland	605	12 132	143	493	352	810	1 141	2 608	3 108	3 263	1 049	406	1 407	4 298	1 517
France[2]	13 940	85 618	1 841	2 126	2 226	5 230	8 704	12 756	18 137	26 920	20 501	19 097	12 167	10 895	9 582
Germany	24 846	86 573	3 170	4 389	4 804	9 616	9 105	11 431	14 549	23 168	23 677	19 527	15 330	16 656	34 890
Iceland[2]	..	27	..	..	..	2	7	1	8	9	26	13	16	..	..
Italy[2]	3 597	28 707	2 133	2 012	1 820	2 652	2 339	5 554	2 135	7 612	7 326	5 948	7 231	5 108	3 210
Japan[2]	18 052	185 826	3 612	5 965	6 452	14 480	19 519	34 210	44 130	48 024	30 726	17 222	13 714	17 938	22 262
Netherlands	27 829	52 940	2 267	2 392	2 847	3 021	6 954	4 422	11 373	13 589	12 327	14 148	10 373	11 670	12 225
New Zealand	375	4 563	404	31	174	87	562	615	135	2 365	1 472	391	–1 455	2 259	1 483
Norway	1 079	8 995	360	612	1 228	1 605	890	968	1 352	1 478	1 840	434	882	1 862	2 446
Portugal[3]	21	374	17	8	15	–2	–16	77	85	165	474	687	107	283	606
Spain[2]	1 274	8 196	245	249	252	377	754	1 227	1 470	2 845	3 574	1 273	2 599	3 899	3 532
Sweden	4 597	47 820	1 459	1 506	1 783	3 947	4 789	7 468	10 189	14 588	7 019	395	1 393	6 609	10 373
Switzerland	..	31 858	492	1 139	4 572	1 461	1 274	8 696	7 852	6 372	6 543	5 673	8 765	10 554	..
Turkey[4]	..	–7	..	..	..	..	9	–	–	–16	127	133	175	78	163
United Kingdom	55 112	185 674	8 211	8 039	10 818	17 077	31 308	37 110	35 172	18 729	15 972	19 037	25 697	29 721	37 839
United States	134 354	170 041	4 889	10 948	13 401	17 089	27 182	15 448	36 835	29 950	31 369	42 647	71 349	47 698	95 000
TOTAL	**302 306**	**1 005 323**	**33 101**	**45 439**	**57 101**	**86 958**	**131 765**	**156 061**	**203 376**	**213 825**	**182 097**	**166 063**	**183 421**	**188 063**	**243 979**

* Provisional.
1. Data updated in May 1996. No data available on outflows for Greece, Ireland and Mexico.
2. Reinvested earnings are not included in national statistics.
3. Figures for Portugal are only available from 1975 onward.
4. Includes cumulative investment since 1954.

Source: OECD/DAF – Based on official national statistics from the balance of payments converted in US$ at daily average exchange rate.

Table 4. **Direct investment abroad from OECD countries: outflows 1983-1994**[1]

As a percentage of GDP

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Australia	0.3	0.8	1.2	2.0	2.6	2.0	1.2	0.3	0.7	–0.1	0.3	1.8
Austria	0.3	0.1	0.1	0.3	0.3	0.2	0.7	1.0	0.8	1.0	0.8	0.6
Belgium-Luxembourg[2]	0.4	0.4	0.3	1.4	1.8	2.3	3.8	3.3	2.9	4.7	1.9	1.1
Canada[2]	0.8	0.7	0.8	1.1	1.7	1.1	0.8	0.7	0.9	0.7	1.3	0.9
Czech Republic	..	..	..	..	..	..	..	..	..	..	0.3	0.3
Denmark	0.3	0.2	0.5	0.8	0.6	0.7	1.9	1.2	1.4	1.6	1.0	2.8
Finland	0.3	1.0	0.7	1.2	1.3	2.5	2.7	2.4	0.9	0.4	2.2	4.4
France[2]	0.4	0.4	0.4	0.7	1.0	1.3	1.9	2.3	1.7	1.4	1.0	0.8
Germany	0.5	0.7	0.8	1.1	0.8	1.0	1.2	1.5	1.4	1.0	0.6	0.8
Iceland[2]	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.2	0.4	0.0	..
Italy[2]	0.5	0.5	0.4	0.4	0.3	0.7	0.2	0.7	0.6	0.5	0.7	0.5
Japan[2]	0.3	0.5	0.5	0.7	0.8	1.2	1.5	1.6	0.9	0.5	0.3	0.4
Netherlands	1.5	2.0	2.2	1.8	3.3	1.8	5.0	4.7	4.1	4.0	3.3	3.5
New Zealand	1.7	0.1	0.8	0.3	1.5	1.4	0.3	5.4	3.5	0.9	–2.8	4.4
Norway	0.7	1.1	2.1	2.3	1.1	1.1	1.5	1.4	1.7	0.4	0.9	1.5
Portugal	0.1	0.0	0.1	0.0	0.0	0.2	0.2	0.3	0.7	0.9	0.2	0.3
Spain[2]	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.6	0.7	0.2	0.5	0.8
Sweden	1.6	1.6	1.8	3.0	3.0	4.1	5.3	6.3	2.9	0.5	0.7	3.4
Switzerland	0.5	1.3	4.9	1.1	0.7	4.7	4.4	2.8	2.8	2.0	2.8	4.1
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
United Kingdom	1.8	1.9	2.4	3.0	4.5	4.4	4.2	1.9	1.5	1.6	2.7	2.9
United States	0.2	0.3	0.3	0.4	0.6	0.4	0.7	0.5	0.6	0.6	0.9	0.7

1. Data updated in February 1996. No data available on outflows for Greece, Ireland and Mexico.
2. Reinvested earnings are not included in national statistics.

Source: OECD/DAF – Based on official national statistics from the balance of payments.

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