Executive summary

Attractiveness:
France in the race

June 2021
In 2020, France remained the leading FDI destination in Europe, ahead of the UK and Germany... In a context of strong competition to maintain investor confidence, France narrowly held its leading position. With 985 projects announced in 2020, it has held its number one position ahead of the United Kingdom (975) and Germany (930). France did so despite FDI project numbers falling more sharply (-18%) than it did across the continent overall (-13%), as a result of the pandemic. With respective declines of 12% and 4% in the number of international projects, the UK and Germany proved more resilient than France.

Life sciences and e-commerce are rare bright spots for investment... Life sciences and e-commerce are rare bright spots for investment... but industrial investments and services were the most affected by the crisis, as the number of R&D centers and head offices projects declined

France secured 89 logistics platform projects in 2020, driven by the rise of e-commerce. The pharmaceutical industry has unsurprisingly benefited from the health crisis (58 projects, i.e. +123%).

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As the crisis and its consequences persist: As the crisis and its consequences persist: by maintaining economic credibility and confidence at the height of the crisis... and economic uncertainty leads investors to adopt a cautious stance, reflecting the risk of a "long Covid" for foreign investment

The emergency measures taken to support businesses during the crisis, followed by the recovery plan of “France Relance”, has been deemed more effective than those of other countries by 44% of executives (vs. 10% who disagree).

Over 80% of executives surveyed believe that France’s attractiveness either stabilized in 2020 (42%) or is marginally improved (43%).

However, confidence in France's attractiveness will remain solid in the years to come... However, confidence in France's attractiveness will remain solid in the years to come... of investors believe that France's attractiveness will improve between now and 2025, a higher level of confidence than in Europe (62%).

Number of projects recorded in 2020 and evolution 2019/2020

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<tr>
<td>France</td>
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<td>UK</td>
<td>975</td>
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<td>Germany</td>
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74% of investors believe that France's attractiveness will improve between now and 2025, a higher level of confidence than in Europe (62%).
According to executives, France will have to address priorities across the short, medium and long terms to maintain its ranking in terms of attractiveness:

**Priority 1**

In the short term, reassure investors about recovery and competitiveness framework

- Mobilize the recovery plan to facilitate international investment, first by reassuring on the recovery of the French economy in 2021 and 2022, while promoting the priorities and resources of France Relance (€100 billion) for international companies already present or interested in investing in France.

- Give a clear perspective of “restart” stimulus, between “emergency” measures and “recovery” programs, to reassure foreign investors. From now on, the challenge will be to highlight the return to normal economic conditions and answer investors’ aspirations of more sustainability, inclusion and competitiveness. France has great potential:
  - 82% of executives think they are sufficiently informed on the French economic relaunch plan, its content and its eligibility criteria
  - 58% of executives believe it can become a global “green” leader within five years

**Priority 2**

In the medium term, invest in economic reform, in skills and in enhanced public services

- Accelerate the momentum in the areas of innovation and entrepreneurship:
  - 62% of business leaders consider support for innovation in strategic sectors to be a priority
  - The challenge will be to maintain France’s strengths in this area, notably the research tax credit (CIR) — considered to be very competitive — and the strong momentum of tech investment funds (+7% of funding in 2020 despite the health crisis).

- Intensify efforts on training and mobility in parallel with those on labor flexibility and competitiveness:
  - 62% of investors believe that digital capabilities are crucial
  - 42% of foreign executives are calling for continued efforts to improve cost competitiveness in Europe

- Invest in the modernization of infrastructure and local economic action: an effort that must focus on the proximity of public action and on the territories, which are the first lands of industry, and whose infrastructure are essential to attract the talents that will enable the upmarket development of French industry.

**Priority 3**

In the long term, respond to multinational transformation needs

- Technology: technology trends accelerated by Covid-19 – digital customer experiences, phygital work environments, and more automated production lines and back offices – makes digital skills an imperative (very critical for 62% of investors)

- Sustainability: businesses across most sectors face pressure from multiple stakeholders to act more sustainably, including where they locate their operations.

- Fiscal geopolitics: tax and regulatory battle lines are shifting, with a push for harmonisation and transparency. European economies continue down the hard path of tax harmonization and transparency, with corporate income tax playing less of a role, and digital/environmental taxation and regulation brought to the forefront.

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- 58% of executives believe it can become a global “green” leader within five years

- 62% of investors believe that digital capabilities are crucial

- 42% of foreign executives are calling for continued efforts to improve cost competitiveness in Europe

- 90% of businesses say sustainability is important to their investment strategy and already consider Europe a “green” leader.

**№2**

According to executives, performance and modernization of public infrastructure will be the second most critical factor of French attractiveness in the next three years.
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