
Doing Business in

FRANCE



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Are you a member of a UK company wishing to export overseas? Interested in entering or expanding your activity in the French market? Then this guide is for you!

The main objective of this **Doing Business Guide** is to provide you with basic knowledge about France ; an overview of its economy, business culture, potential opportunities and an introduction to other relevant issues. Novice exporters, in particular will find it a useful starting point.

Further assistance is available from the UKTI team in France. Full contact details are available at the end of this guide.

Important Information - Sanctions and Embargoes

Some countries may be subject to export restrictions due to sanctions and embargoes placed on them by the UN or EU. Exporting companies are responsible for checking that their goods can be exported and that they are using the correct licences.

Further information is available on the <http://www.businesslink.gov.uk/exportcontrol>

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1 Introduction

France is the largest country in Western Europe. Similar in terms of population to the UK (around 63.6 million people live in France), it has a land mass twice the size and is situated at the crossroads of major road and rail transport systems throughout Europe. France is also the world's number-one tourist destination with 79.3 million visitors in 2008.

The British and French economies are broadly similar in their size and scope. According to Fortune Global 2009, 40 French companies rank amongst the 500 largest in the world compared to 39 for Germany and 26 for the UK.

In 2009, GDP per capita was 25 988€ in the UK and 24,909 € in France.

The sectoral profile of GDP of the two economies was as follows:

	<i>France</i>	<i>UK</i>
<i>Agriculture, forestry and fishing</i>	2.2%	0.7%
<i>Industry including energy</i>	14,1%	16.7%
<i>Construction</i>	4.0%	6.4%
<i>Transport, trade, hotels, restaurants</i>	18,7%	21.2%
<i>Banks, insurance, property and other business services</i>	33.3%	31.9%
<i>Government, health, education and Other personal services</i>	25.3%	23.1%

Political Overview

Nicolas Sarkozy was elected for five years in 2007 on a reform agenda, hence his great implication in economic life. His Government has been tasked to free the French economy of most of its administrative burden. France has seen many reforms since his election in areas such as labour law, Sunday trading, working hours, business tax, research & development tax credit. 2010 will be the year of pension reform.

France is a democracy, a free-market economy with a tendency for State intervention. This is why elected officials, either local or national, are absolutely key to doing business in France. They provide funding, state aid, infrastructure etc in order to attract businesses. The public and private sectors are closely intertwined which makes it important for companies to consider mayors, chairmen of general or regional councils etc as key interlocutors.

In spite of the clichés of a strike-ridden country, France is host to more than 22 000 foreign companies and Paris is home to a large number of multinational headquarters. Rules and regulations are the same for all companies whether French or not.

France has a strong tradition of secularism, meaning religion is a private matter regarding only individuals not institutions or companies. Discrimination based on faith, ethnic origins, sexual orientation is illegal whether negative or positive.

Background on the French Economy

Although the French economy underperformed compared to the rest of the Eurozone in 2006-2008, it showed greater resilience to the downturn than many comparable economies in 2009. GDP grew by 0.3% in 2008 and contracted by about 2.2% in 2009 compared to 4.8% for UK. The government forecast growth of 1.4% in 2010.

France has a high trade deficit - with both EU and non-EU countries – because of high oil prices and the inadequacy of domestic supply. Imports are increasing, and at the same time the strong euro and low penetration rates in emerging economies have undermined exports.

The crisis has challenged Sarkozy's ambitious objectives of raising the medium-term growth rate from 2% to 3% and achieving full employment (ie an unemployment rate of 5%) by 2012. However the government has reaffirmed commitment to reform. Policy has focused on purchasing power and competitiveness. Following first measures implementing a 50% tax ceiling and lowering tax on inheritances and mortgage interests, the government further softened the 35-hour week legislation (eg through tax exemption on overtime pay) and engaged structural reforms in the labour and product markets. It also abolished local business rates and planned the introduction of a carbon tax, as part of its competitiveness and environment agendas.

The crisis is expected to delay fiscal consolidation by pushing the general government deficit to around 8% of GDP in 2009 and 2010, well above the 3% Maastricht ceiling. The debt ratio is predicted to reach 87% by 2013. The government is committed to bringing the deficit down to 3% by 2013, assuming good economic conditions. It also intends to stabilise the tax burden and keep non-relaunch state expenditure under control.

Trade between UK and France

Goods (in £ million) - 2009

UK imports from France	20 226
UK exports to France	17 871
Balance	-2 355

Services (in £ million) – 2008

UK imports from France	9 842
UK exports to France	9 683
Balance	-159

Goods and Services (in £ million) - 2008

UK imports from France	32 888
UK exports to France	27 740
Balance	-5 148

2009 – Goods only (£million) -2009

UK imports from France	20 226
Change 2009/2008	-12.8%
Share of total UK imports	6.6%

UK exports to France	17 871
Change 2009/2008	-4.7%
Share of total UK exports	8.0%

UK's Top trading partners for goods in 2009:

Imports:	Germany, USA, China, Netherlands, France
Exports:	USA, Germany, France , Netherlands, Ireland

Source: The Pink Book and UK Trade Info (via HMRC website)

Advice about your stay

FCO Travel Advice

The FCO website has travel advice to help you prepare for your visits overseas and to stay safe and secure while you are there.

2.Preparing to Export to France

UK companies should not expect to achieve business in France overnight. The French tend to take their time over decisions, and negotiations can be lengthy due to hierarchical business structures. The French generally focus on long-term objectives and like to examine a problem or proposition from every angle before reaching a decision. However with the right product/service, thorough preparation and a carefully planned approach to market entry, the benefits of doing business in France are worth the investment.

Areas to consider:

- Translate literature/website into French. If it is not feasible to translate the whole brochure consider producing a summary in French.

- Expect meetings to be conducted in French. Make provision to have a French speaker present.
- Prices should ideally be in Euros and measurements should be metric.
- In most cases doing business in France requires local representation in the form of an agent or distributor. Networks and personal relationships are crucial so be prepared to make regular visits to the market, especially during the early phase.

British companies wishing to approach the French market are advised to undertake as much market research and planning as possible in the UK. UKTI's team in France can provide advice and a range of services to British-based companies wishing to grow their business in France. Our services include the provision of market information, lists of potential partners, background information on key market players or potential customers. We can also assist with in-market activity such as setting up appointments with contacts and event management –should you want to launch your brand in France at the Embassy.

You can commission these services under which are chargeable and operated by UK Trade & Investment (UKTI) to assist British-based companies wishing to enter or expand their business in overseas markets. Under this service, the Embassy's Trade & Investment Advisers, who have wide local experience and knowledge, can identify business partners and provide the support and advice most relevant to your company's specific needs in the market.

3 How to do Business in France

Business Climate

Data from the World Bank Doing Business Report 2010 (a report benchmarking 11 indicators including seven legal topics gives an indication of the general climate for commerce), France ranked 31st out of 183 countries, the same position it occupied in 2009. In comparison, Singapore was 1st, USA 4th, UK 5th, Germany 25th, Spain 62nd and Italy 78th.

This report also ranks France among the top twenty countries for ease of enforcing contracts and dealing with construction permits. On the other hand it is poorly rated on recruitment/redundancy (155th) and on registering property (159th). The full data for France can be viewed at <http://www.doingbusiness.org/features/Highlights2010.aspx>

The Global Competitiveness Index 2009-2010 compiled for the Davos World Economic Forum ranked France in the same position as the previous year: 16th. (Switzerland was 1st, USA 2nd,

Germany 7th, UK 13th, Spain 33rd and Italy 48th.) The report comments favourably on the country's infrastructure – third best globally – but adversely on labour market flexibility.

Since Spring 2007, the French Government has been pursuing a number of economic reforms including the Law to Modernize the Economy adopted in August 2008 to facilitate enterprise and stimulate competition.

Terms of Payment

As part of this reform to encourage a more favorable business environment payment periods have been reduced from 90 days to 45 days with payment at month end, or 60 days from issue of invoice.

Electronic invoices will soon be accepted by French government authorities.

Key Areas for Business

Business and economic power remain concentrated in Paris and its surrounding region, known as the "Ile-de-France". This region is home to over half of French business executives, as well as being the world's number one tourist destination with around 40 million visitors per year. Its resident population now exceeds that of London at around 12 million, roughly one fifth of the total population. The weight of Paris/Ile-de-France is even more significant in economic terms, accounting for over a quarter of GDP.

That is not to say that the rest of France is an economic desert. Apart from Paris, there are four conurbations with populations of 1 million or more (Lille, Lyon, Marseille, Toulouse) and 57 towns with at least 100,000 inhabitants.

A useful way of understanding where sectoral specialisations are concentrated is to look at the location across France of the poles de competitivite (competitiveness clusters). Some of the main clusters are listed below:

Rail infrastructure – Valenciennes (Region Nord Pas-de-Calais)

Electronics and Telecoms – Rennes (Brittany)

IT Security Systems – Region Provence Alpes Cotes d'Azur

Aerospace – Bordeaux (Region Aquitaine) and Toulouse (Region Midi-Pyrenees)

Nanotechnology – Grenoble (Region Rhone-Alpes)

The full list of 71 clusters, ranging from ceramics to cosmetics, can be found at www.competitivite.gouv.fr/spip.php

Documentation

Goods which are in free circulation within the European Community (i.e. those which are not liable to pay Customs duty in the Community as they either originate there or the duty has already been paid) can move between Member States without any documentation. This does

not apply to goods liable to excise duties or goods subject to prohibition or restrictions (e.g. weapons) which still need accompanying documentation.

Further information can be found on the SITPRO website at <http://www.sitpro.org.uk/trade/exporteu.html>

4. Business Etiquette, Language and Culture

Doing business in France can be a challenging and exciting affair. Though a close neighbour to the UK there are many differences in etiquette, approach and style in business. Preparation for cross-cultural differences and approaching situations with an open-mind is essential.

Formality

Public life in France can appear quite formal. This is manifest in greetings, manners and the language. When doing business in France, the respect of protocol and a formal means of communication can appear stuffy, cold and unfriendly. However, despite appearances, business takes place on two levels. On the surface it appears orderly, professional and uncluttered by personal relationships. Yet, beneath the surface, a complicated network of personal relationships, ties, alliances and factions actually drives things.

Shake hands when meeting and parting. In social settings with friends kissing is the norm. 'Faire la bise' refers to the little air kiss people trade upon meeting.

When doing business in France, only use first names after being invited to do so. Use Monsieur or Madame followed the surname. The French will sometimes introduce themselves using their surname first, followed by their first name. If you speak French stick to the vous form until told to use tu.

Dress well. The French draw information on people based on their appearance. Your business attire is a reflection of your success and social status. Always try to be tasteful, stylish and conservative. Women are advised to dress simply but elegantly.

Language

The French language is highly regarded and the French are extremely proud of their language. This pride makes the use of French a sensitive issue. Above all the inability to speak even some French may be counted against you. It is important to at least learn some basic civilities prior to doing business in France. Expect business meetings to be conducted in French so have someone with you who can interpret.

In many sectors it is important to make the effort to translate your literature into French. If this is too costly an option consider preparing a summary in French to accompany your brochures.

Cuisine

The French are passionate about food, so long lunches (though on the decrease) are still the norm when doing business in France. These usually consist of an appetizer, main meal (with wine), cheese, dessert and coffee and can take up to two hours. This is a time for relationship building.

Do not begin eating until the host says, 'bon appetit'. Pass dishes to the left, keep wrists above the table and try to eat everything on the plate. Be careful with adding salt, pepper or sauces to your food (particularly before having tasted it) as this may imply you find the food tasteless. If eating in a restaurant, the person extending the invitation will usually pay. Be sure to reciprocate this gesture.

Meetings and Negotiations

If you plan to travel to France on business, meetings should be booked in advance in writing or by phone. Holidays in France are usually taken in July or August so these months should be avoided. Christmas and Easter are also periods where business winds down.

Punctuality is slightly more relaxed than in the UK and the further south you travel, the more flexible this becomes so do not be surprised if your potential business partner is late for a meeting. We recommend however that UK companies respect timings of meetings.

When doing business in meetings remain polite and courteous at all times. Avoid personal questions. Try not to appear over friendly as this may be construed as suspicious. The French communication style is direct, questioning and probing. Ensure you have a carefully planned proposal that has been logically organised and presented. The French are most receptive to low-key, rational presentations and arguments that clearly highlight benefits.

Negotiations can become passionate. Argumentation is not meant to be confrontational but rather a means to analyse your case logically. You will be judged on your demeanor combined with your ability to present your arguments coherently. Avoid exaggerations as the French do not appreciate hyperbole.

If a stalemate has been reached when doing business, the French will continue to state their position. The emphasis is on you to take apart their arguments and approach the issue from a different angle. Similarly, once decisions have been reached the only means of overturning it would be through a well argued defence of your case.

Negotiations can be lengthy due to hierarchical business structures • The French tend to focus on long-term objectives and French companies take time over decisions. An important part of their decision making is to examine a problem or proposition from every angle.

5. What are the challenges?

As a member of the European Union, France does not present major challenges to UK companies wishing to develop trade. The main challenge facing UK companies is language.

6. How to Invest in France

Setting up in Business

There are no administrative restrictions on foreign investments in France, although mandatory declarations or permits are required in some cases. The timeframe required to set up a company in France is very short and the formalities for setting up businesses have been greatly simplified -the whole procedure can now be carried out over the internet.

All formalities for setting a new company can be dealt with by the “*Centre de Formalités des Entreprises*” (CFE). This centre handles all the documents required to set up, change or close down companies, delivering them to the relevant authorities.

There are different business structures and options available to companies expanding into France:

Sales representatives: May either be employees of foreign companies or travelling sales representatives.

Sales agent: An agent (i.e. self-employed individual) or a company that acts on behalf of another company.

Liaison office (representation without commercial activity): A foreign company may recruit or send an employee to France to represent it through a local liaison or representative office.

Branch: It enables foreign companies to establish a foothold in France for a commercial activity.

Subsidiary: The company is incorporated under French law.

A large part of France's corporate tax system is designed to promote business investment, regional development and international expansion. France has signed tax treaties with more than one hundred countries. Newly created companies located in some areas may qualify, subject to certain conditions, for a temporary exemption from corporate tax diminishing over time.

Grants for industry and services are distributed by the DIACT (*Délégation Interministérielle à l'Aménagement et à la Compétitivité du Territoire*) and are available to businesses for

company creations, expansions, conversions or takeover of existing businesses under certain circumstances.

For more information:

Invest in France Agency

www.invest-in-france.org

Government support to set up a business in France

CFE

www.cfenet.cci.fr

Formalities for setting up a new company:

Employing Staff

French employment law is a complex field, and companies should seek expert advice before embarking on recruitment.

Some information on employing France based staff is available on the URSSAF website in English:

http://www.anglais.urssaf.fr/index.php?option=com_frontpage&Itemid=5571

Financial Assistance

Grants for industry and services are distributed by the DIACT (*Délégation Interministérielle à l'Aménagement et à la Compétitivité du Territoire*) and are available to businesses for company creations, expansions, conversions or takeovers of existing businesses under certain circumstances.

Délégation Interministérielle à l'Aménagement et à la Compétitivité du Territoire (DIACT)

www.territoires.gouv.fr

Grants for industry and services

7. Contacts

If you have a specific export enquiry about **France** which is not answered by the information on this report, you may contact:

UK Trade & Investment Enquiry Service

Tel: +44 (0)20 7215 8000

Fax: +44 (0)141 228 3693

Email: enquiries@ukti.gsi.gov.uk

You will be signposted to the appropriate section on our website or transferred **at local call rate** to the British Embassy in **France**

If you prefer to contact the team in **France** direct, contact:

UK Trade & Investment France Enquiry Service

35 rue du Faubourg Saint Honoré

75008 PARIS

France

Tel: +33 (0)1 44 51 34 56

Email: commercialenquiries.paris@fco.gov.uk

[UK Trade & Investment](#) can help you make the most of these opportunities and help you plan your approach to the market. You may find out more about the range of services available to UK companies trading internationally through your local International Trade Team.

We hope that you have found this guide useful. For further information, please contact your International Trade Adviser or one of the UKTI team in **France**

8.Resources/Useful Links

Business Link: International Trade

Business Link's International Trade pages provide an overview of export basics including licensing, customs procedures, classifying and movement of goods, other regulatory information and export paperwork issues. It also introduces exporters to the UK Trade Tariff.

Essential reading for exporters!

Country Information:

BBC Website:

http://news.bbc.co.uk/1/hi/country_profiles/default.stm

FCO Country Profile:

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/>

Culture and communications:

CILT – National Centre for Languages - Regional Language Network in your area:

http://www.cilt.org.uk/workplace/employer_support/in_your_area.aspx

Kwintessential culture guides:

<http://www.kwintessential.co.uk/>

Customs & Regulations:

HM Revenue & Customs: www.hmrc.gov.uk

Import Controls and documentation (SITPRO): <http://www.sitpro.org.uk>

Economic Information:

Economist:

<http://www.economist.com/countries/>

Export Control

Export Control Organisation:

<http://www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/index.html/strategic-export-control/index.html>

Export Finance and Insurance:

ECGD: <http://www.ecgd.gov.uk/>

Intellectual Property

Intellectual Property Office:

www.ipo.gov.uk

Market Access

Market Access Database for Tariffs (for non-EU markets only):

<http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>

SOLVIT – Overcoming Trade Barriers (EU Markets only)

www.bis.gov.uk/EUMarketAccessUnit

Standard and Technical Regulations:

British Standards Institution (BSI):

<http://www.bsigroup.com/en/sectorsandservices/Disciplines/ImportExport/>

National Physical Laboratory: <http://www.npl.co.uk/>

Intellectual Property - <http://www.ipo.gov.uk/>

Trade Statistics:

National Statistics Information: <http://www.statistics.gov.uk/hub/index.html>

UK Trade Info: <https://www.uktradeinfo.co.uk/>

Travel Advice:

FCO Travel: <http://www.fco.gov.uk/en/travel-and-living-abroad/>

NHS: <http://www.nhs.uk/nhsengland/Healthcareabroad/>

Travel health: <http://www.travelhealth.co.uk/>