



These are some of the comparative advantages that are very favourable for France, which appeal to foreign investors and explain the international presence and openness of the French economy, which in Europe, ranks just after the UK economy in this respect. France is a prime destination for foreign investment in chemicals, pharmaceuticals, certain food products, nuclear and aeronautics – sectors that are mostly highly R&D intensive. French research is internationally renowned and a significant reservoir for skills in industrial and tertiary innovation.

However, this research is deemed to be ill-suited to the real needs of French industry and the economy as a whole. The links between public research and businesses, and therefore technology transfers, appear to be weak (researchers with little incentive to find economic applications for their work⁹¹), while French companies' R&D and innovation expenditure remains limited to enable industrialisation and the export of new products and services.

France, unlike Germany, Italy and the United Kingdom, lacks medium-sized SMEs, which have a higher capacity to innovate because they enjoy easier access to financing (own funds and external funding) and are flexible enough to take risks. In the latter three countries, medium-sized SMEs play a greater role in the production system and have a more significant impact on the trade balance.

↳ **The Gallois Report** also underscores the tightening of profit margins in French industry, which French industry has been forced into to maintain price-competitiveness in the face of competition from Germany and the emerging economies. Lower profit margins have resulted in a decrease in innovation investment, and affected non-price competitiveness. A series of reforms have therefore been implemented to provide fiscal, political and financial tools to strengthen research and innovation, investment, as well as French firms' capacity to export and attract foreign capital.

⁹¹ OECD, OECD Reviews of Innovation Policy: France 2014, <http://www.oecd.org/sti/inno/oecd-reviews-of-innovation-policy-france-2014-9789264214026-en.htm>