

2011 IT INDUSTRY COMPETITIVENESS INDEX

France

OVERALL RANKING

| COUNTRY | 2011 RANK | 2011 SCORE | 2009 RANK | 2009 SCORE |
|----------------|-----------|-------------|-----------|-------------|
| United States | 1 | 80.5 | 1 | 78.9 |
| United Kingdom | 5 | 68.1 | 6 | 70.2 |
| Germany | 15 | 64.1 | 20 | 58.1 |
| France | 21 | 59.3 | 17 | 59.2 |
| Italy | 23 | 50.7 | 24 | 48.5 |
| Czech Republic | 27 | 46.1 | 26 | 47.0 |
| Poland | 30 | 44.6 | 35 | 40.8 |
| India | 34 | 41.6 | 44 | 34.1 |
| China | 38 | 39.8 | 39 | 36.7 |
| Brazil | 39 | 39.5 | 40 | 36.6 |
| Turkey | 41 | 38.7 | 46 | 33.8 |
| Bulgaria | 43 | 38.1 | 47 | 33.6 |
| Russia | 46 | 35.2 | 38 | 36.8 |

HIGHLIGHTS

- > Declines in the areas of human capital and support for IT industry development have resulted in a weakening of France's standing in the overall Index compared with 2009.
- > One area where it has made strides is IT infrastructure, where continued growth of broadband adoption has improved levels of connectivity enjoyed by firms (and individuals).
- > Scores have improved across all R&D environment indicators, although other countries near to it in the table have registered greater progress, resulting in a fall in rank.

France has fallen to 21st position in the 2011 IT Industry Competitiveness Index, one place above Belgium. Although its overall score increased slightly from 2009, other countries in the top tier have registered faster improvement, and French performance has declined in some key areas, such as human capital and support for IT industry development.



ABOUT THE INDEX

The IT Industry Competitiveness Index gauges the information technology (IT) industry environment of 66 countries by assessing the enablers of competitiveness and determining their relative importance in IT sector performance. Now in its fourth year, it is the centerpiece of a major program of research, created by the Economist Intelligence Unit for the Business Software Alliance, into the forces that drive the competitiveness of countries' IT industries.

A complete description of the Index indicators, scoring methodology, and definitions, as well as written analysis, case studies, video interviews and other content, can be found at www.bsa.org.

Business environment: France fell one place to 24th in the business environment category, although its score remains unchanged. It scores highly when it comes to protection of private property, but in the other indicators in this category — notably openness to foreign investment and government regulation (i.e. ease of licensing) — France lags well behind most other west European countries. In June 2011 the IMF raised its growth forecast for France to 2% for this year, but country's tax regime and over-regulated labor market remain drawbacks.

IT infrastructure: This is a brighter feature of France's performance compared with 2009. It has risen three places to 16th, whereas European neighbours Germany and the UK have fallen back. Although IT market spending is down from 2009, and improvements in Internet security and PC ownership are not as significant as for other countries, France achieved a notable improvement in broadband penetration. One-third of the population now has a broadband connection and the French telecoms regulator Arcep reported an 8% growth in subscriptions in Q1 2011.

Human capital: Decreased enrolment both in higher education and in science and engineering courses are the main reasons why France's human capital rank and score have declined in the 2011 index. The number of people employed in IT has remained relatively stable since 2009, although it's worth noting that, although sharing a similar population size, France appears to have a considerably smaller IT workforce than the UK.

R&D environment: Unusually, although its performance improved across all the indicators in this category, France's global position fell three places to 19th. This is due to the faster progress registered by other countries near it in the R&D category

(Denmark, Switzerland and Austria). Both public and private-sector R&D spending has increased in recent years, and the IT share of total patent applications has risen to 10%, according to data from WIPO. The government describes its research tax credit, which can be as high as 50% in the first year of investment, as its 'flagship tax measure' to encourage companies to expand R&D operations in France.

Legal environment: There has been a slight improvement in France's legal environment rank and score since 2009. France's global position is now 11th in this category, equal with Norway. The Economist Intelligence Unit has boosted France's score in IP protection thanks to its 2009 ratification of the WIPO Copyright Treaty (WCT) and Performances and Phonograms Treaty (WPPT). The country also earns a generally positive assessment when it comes to the status of electronic signature, data privacy and cybercrime legislation.

Support for IT industry development: Performance (rank and score) declined in this area due largely to falls in two indicators: access to investment capital and public procurement of IT. Not surprisingly given the financial crisis, access to investment capital enjoyed by IT and other firms declined from 2009 (similarly, foreign direct investment fell by 33% in 2010, according to the Banque de France), as did public spending on IT, according to analyst firm IDC. Government policy neutrality when it comes to industry players and technologies earns one of Europe's lower marks. E-government strategy, on the other hand, gets a positive assessment; the government plans to make 80% of public services available online by the end of 2011.