France’s Reinforced Control Over Foreign Direct Investments in the COVID-19 Environment

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The COVID-19 crisis has highlighted, in a dramatic way, the issues that a country may face if it loses control over certain strategic sectors of its economy to foreign interests.

Like other countries in the world, France has had in place for many years a mechanism to screen foreign direct investments (”FDI”) in strategic sectors, but over the last year it has adopted legislation to markedly reinforce that mechanism, consistent with a global trend developing even before the COVID-19 pandemic.

Foreign investors contemplating an investment in France should expect an environment of stricter scrutiny of proposed transactions from the perspective of FDI regulations, and probably the adoption of additional protective measures to ensure French control of sensitive activities, such as the measures adopted or announced by the French government in the last few months and described below.

With this in mind, this article provides an overview of the current French FDI regulatory framework, the scope of the FDI control mechanism, the corresponding authorization process, and the sanctions applicable in the event of non-compliance.

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