

# The next French government shouldn't overlook tech in the hunt for growth

*The success story of the French technology ecosystem is something to be admired. It's one that's seen technology go from playing an insignificant to a major role in the French economy over a compressed timeline.*

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Today, global tech entrepreneurs and investors are seeing the momentum and wondering just how France pulled it off. In Mistral AI, France boasts one of the world's hottest AI startups that has just commanded \$650M in new funds. The world's biggest tech companies are backing France with private investments. Notably, Microsoft has pledged to invest 4 billion euros in national cloud and AI infrastructure and development over the next four years.

Whatever the next French government looks like, there will be an unavoidable need to seek out economic growth. Technology is an obvious candidate driver for this growth but does require careful prioritisation and a well-thought-out strategy. The truth is that France's tech success isn't guaranteed and can easily be reversed. We don't have to look far back in French history for this to be obvious.

## A highly fought-for change

In the early 2000s, as the internet truly emerged as a transformative force, France wasn't a country you'd associate with technology

vanguards. At that time, a lack of a national entrepreneurial culture meant much of the brightest talent joined large enterprises in traditionalist sectors. There was also a dearth of access to capital. France's Repartition Pension System Model meant national pension funds weren't set up to reinvest.

These are the precise characteristics that François Hollande, and successive French premiers, have worked to address over the last decade. Individual components of that strategy have rightly received plaudits. *BPI France* has injected massive amounts of capital into the French economy to back tech startups and this has also been helped along with tax incentives. The French government has placed a big emphasis on promoting and marketing the national technology ecosystem through initiatives including *La French Tech*.



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These individual parts amount to overall momentum that's made meaningful change. France is home to 30 tech unicorns today. Venture capital investments into the country are coming in at over €10B annually. And, remarkably, French tech startups represent more than 1.1 million direct and indirect jobs in the economy.

The next French government has the good fortune of inheriting a national tech ecosystem that's in good shape. To maintain this, the coming months will be crucial.

## French tech needs a champion

The already mentioned BPI France has been pivotal in channelling capital towards French tech. It's acted as a reliable source of support to ensure that entrepreneurs with good ideas don't go without financial backing. Over time, BPI France has played an increasingly active role in growth capital raises – bolstering overall regional financial firepower to give French startups an alternative to tapping into the deep pockets of global investors to raise funds.

For the next government, support for BPI France should be maintained. Its role in France hitting the 30 unicorns' landmark shouldn't be understated and the investment bank isn't a burden on public finances. In the 2023 financial year, it reported €1.1B of net profit and €4.3B of increase in value.

There's more that the next government can do to bolster France's reputation as a country to scale and invest in tech companies. Advocating for the launch of the long-stalled EU Capital Markets Union should be a priority so that European tech companies, including those in France, find home soil a more attractive location for an IPO. Deeper capital markets would be a landmark shift to establish Europe as an attractive place to exit and bring cash back into the ecosystem. The French government

should be right behind it.

Maintaining strong levels of private sector capital inflows into French tech startups also requires effort on the state's part to maintain the attractiveness of its tech ecosystem. Venture capital investors always seek the next winners to guide their investments. Let's say a VC is weighing up potentially investing in two startups with a similar profile in different markets. The startup based in the market with the most favourable investment landscape will be preferred. It's a stark warning for France given that other nation-states are also making the development of their tech ecosystem a strategic priority. Maintaining tech leadership is a highly competitive endeavour.

## AI success provides an effective blueprint

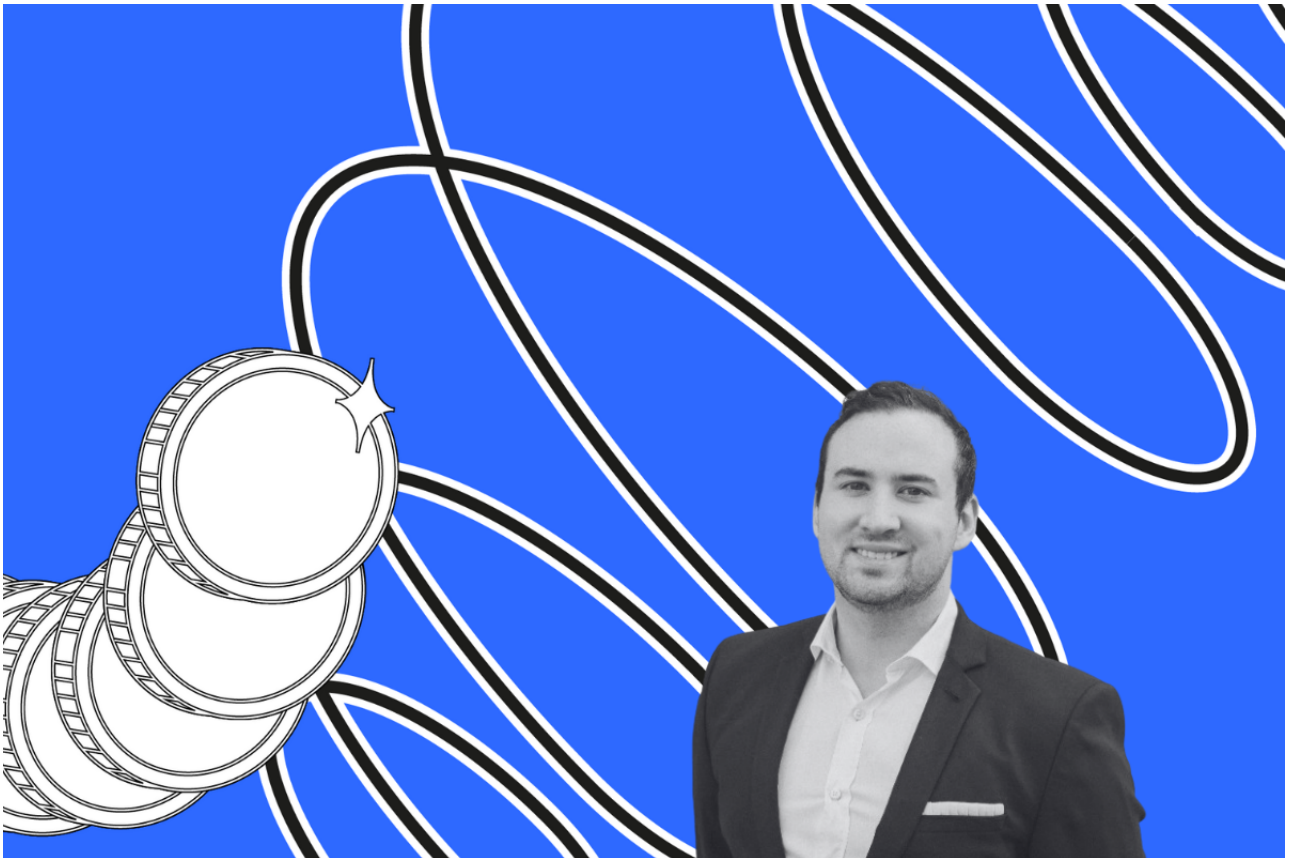
France has punched above its weight to establish AI leadership. It is, of course, early days but a strong claim has been staked. We're seeing bright AI talent from France return home from the US to launch cutting-edge AI companies and massive funding rounds are taking place.

There are learnings to take for the next French government from the ethos that's driven this success. President Macron and Prime Minister Gabriel Attal made a bold decision to wholeheartedly back AI's development despite no guarantees of success. To some extent, this mirrors the VC investor mindset of calculated risk-taking and there's scope to broaden this approach. Climate tech, for example, is a vertical that would benefit from the same level of curiosity and bravery. Tackling climate change is a pressing issue and, therefore, prioritising the development of climate tech should happen above politics.

In conclusion, the French technology ecosystem is primed to be a contributor to future national economic growth. That's why maintaining and bolstering its global competitiveness should be a focus for the next

government. It would be a mistake to frame this as some kind of political binary choice. It's news to no one that technology will play an even more pivotal role in the global economy as the years go on and the next French government has a massive opportunity to keep the nation on the right trajectory to be a natural home for tech and challenge monopolies.

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