

# France to invest in research

*Sarkozy says the country will borrow billions for major projects aimed at long-term benefits*

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PARIS—France will borrow billions of euros next year to invest in projects ranging from advanced electric-car batteries to modern university campuses, in the hope of propping up the country's competitiveness and of lifting economic prosperity in the long run.

French President Nicolas Sarkozy told reporters on Monday that all the money, €35 billion (\$56.8 billion), would go toward research and development projects, not for day-to-day expenditures.

"This isn't another stimulus plan," Mr. Sarkozy said. "This loan won't finance current spending, but only investment that will make the country richer."

France's monumental public spending—which, at 52% of gross domestic product, is the highest in the Organization for Economic Cooperation and Development—mainly finances current expenses, including civil-servant salaries and interest on the debt. Little is left to finance large-scale projects, such as high-speed trains and nuclear-power reactors, which in the past have depended heavily on government financing, but have ultimately strengthened private companies.

The government will channel €11 billion into higher education, in part to refurbish France's aging university campuses. About €8 billion will go to research laboratories, including €2.5 billion toward health-care and biotechnology projects. An additional €6.5 billion is destined to a variety of industrial projects, including energy-efficient ships, planes and cars. The government will plow €2 billion into a national fiber-optic cable network for ultrafast data transmission. About €2.5 billion will be used to digitize books, films and other cultural contents.

The French president said the

government will raise €22 billion on financial markets. The remaining €13 billion will come from public aid reimbursed by the country's banks.

The government will encourage private investors to match public investment, Mr. Sarkozy said. As a result, overall investment could reach €60 billion, provided private investors bring an expected €25 billion.

Mr. Sarkozy said the plan won't be a drag on the country's public finances because he has asked ministers to save amounts equivalent to annual interest that will have to be paid on the loan. Accounting of the overall investment plan will be managed by an ad hoc commission, separately from the country's budget.

France's budget has been strained by the economic crisis, with spending rising to boost the economy and tax income falling thanks to lagging activity.

The country's deficit is projected to climb from 77.1% of GDP this year to a record 91% in 2013, and next year the OECD expects a budget shortfall of 8.6% of GDP.

In January, the government will set up a new commission to discuss proposals to better manage public debt, Mr. Sarkozy said.

## Investing in France

French President Nicholas Sarkozy's detailed plan to spend €35 billion to boost economic growth:

### €19 billion

Education and research and development

### €6.5 billion

Aid to small and midsize companies, industrial projects

### €4.5 billion

Digital technology

### €5 billion

Sustainable development

