French economy essay

French Economy General Overview: The French economy is the fifth largest in the world and accounts for about a fifth of euro area GDP. France weathered the global crisis better than most advanced economies. This is explained by the economy being less open than e. g. Germany, a fairly solid financial sector, a large public sector and substantial fiscal stimulus. Exports amount to about 20% of GDP – about half of the euro area average – while government expenditures amount to about 55% of GDP.

The government budget deficit as a share of GDP is higher than the euro area average and the debt-to-GDP ratio is only marginally below the euro area average. During the summer France announced austerity measures, aimed at ensuring fiscal sustainability. Significant reforms and privatizations have taken place in the past decades, but the government continues to own shares in corporations in a range of sectors. Key export markets are located in Europe, with Germany, Italy and Spain being the most important ones. About one third of all exports are going to economies outside Europe.

The share of exports to Asia is small, but gradually increasing. Tourism is important (France is the most visited country in the world). France runs a current account deficit and has a large foreign debt. France is the leading agricultural producer and exporter in Europe. Nevertheless agriculture accounts for less than 4% of employment and 2% of GDP. The unemployment rate, which peaked in January 2010, is below the euro area average, but it increased in Q2 2011 and is now close to the previous peak. The labor force is highly educated. GDP per capita: EUR 30, 913, 7th highest in the euro area (2010) http://www-2. anskebank. com/danskeresearch Projected Growth: The French economy started to expand in mid-2009 and its robust growth in early 2011 was a pleasant surprise, thanks to strong consumption and inventory-building. Unemployment remains high, but is coming down. The IMF projects that the French economy will grow about 2 percent over the next two years, even as the country undertakes consolidation policies to reduce its deficit and public debt. Private consumption should remain the engine of growth and will be aided, as it was in the first quarter, by recovering investment spending. Risk to Economy:

But the country does face risks. Spillover from the sovereign debt crisis in some euro area countries such as Greece is a threat, as is uncertainty about energy and commodity prices. " The Greek situation has increased markets' attention to fiscal debt and deficits in all countries. It just further underlines the importance for France to continue on the fiscal consolidation path that it is already embarked on and to ensure that market credibility is maintained," said Anne-Marie Gulde-Wolf, who heads the IMF team that conducted the annual review of the French economy. Reforms to encourage growth:

Although the near term is reasonably encouraging, over the medium term, France, like all other advanced European countries, has a problem with potential growth. Its population is not aging as fast as in many other advanced economies, but France faces a number of structural issues with which it must deal, such as declining export market shares and high built-in unemployment, especially among young and unskilled workers. Furthermore, to protect macroeconomic stability, France needs to achieve taxing and spending levels that can be sustained over the long run and make its financial system more resilient to new crises.

French Economic Stability: Costs incurred from the global recession—revenue losses and stimulus spending as well as financial sector support—coupled with aging-related spending pressures have taken a heavy toll on public finances. The crisis brought France’s public debt to above 80 percent of gross domestic product (GDP), and debt servicing costs to about 2? percent of GDP in 2010 (see Chart 1). While the fiscal stimulus during the crisis was appropriate, France needs a credible consolidation to ensure fiscal sustainability and safeguard its AAA-rated borrowing status. http://www. imf. rg/external/pubs/ft/survey/so/2011/car072711a. htm France Inflation Rate at 2. 20% The inflation rate in France was last reported at 2. 2 percent in August of 2011. From 1958 until 2010, the average inflation rate in France was 4. 93 percent reaching an historical high of 18. 80 percent in April of 1958 and a record low of -0. 70 percent in July of 2009. Inflation rate refers to a general rise in prices measured against a standard level of purchasing power. The most well known measures of Inflation are the CPI which measures consumer prices, and the GDP deflator, which measures inflation in the whole of the domestic economy.

This page includes: France Inflation Rate chart, historical data and news. France: Selected Economic and Social Indicators, 2008–16| | | | | | Projections| | 2008| 2009| 2010| 2011| 2012| 2013| 2014| 2015| 2016| | Real economy (change in percent)| | | | | | | | | | Real GDP| -0. 2| -2. 6| 1. 4| 2. 1| 1. 9| 2. 0| 2. 1| 2. 1| 2. 1| Domestic demand| 0. 1| -2. 4| 1. 3| 2. 2| 1. 7| 2. 0| 2. 1| 2. 1| 2. 1| CPI (year average)| 3. 2| 0. 1| 1. 7| 2. 2| 1. 7| 1. 8| 1. 9| 1. 9| 1. 9| Unemployment rate (in percent)| 7. 8| 9. 5| 9. 7| 9. 3| 8. 8| 8. 6| 8. 2| 7. 9| 7. 8| Gross national savings (percent of GDP)| 20. | 17. 5| 18. 6| 18. 6|

19. 2| 19. 5| 19. 7| 20. 0| 20. 2| Gross domestic investment (percent of GDP)| 21. 9| 19. 0| 20. 4| 20. 8| 21. 2| 21. 4| 21. 5| 21. 8| 22. 0| Public finance (percent of GDP)| | | | | | | | | | Central government balance| -3. 3| -6. 2| -6. 3| -4. 4| -3. 8| -3. 0| -2. 5| -1. 8| -1. 2| General government balance| -3. 3| -7. 5| -7. 1| -5. 7| -4. 8| -3. 8| -2. 9| -2. 0| -1. 1| Structural balance (percent of potential GDP)| -2. 9| -4. 8| -4. 6| -3. 9| -3. 3| -2. 6| -2. 2| -1. 6| -1. 0| Primary balance| -0. 6| -5. 3| -4. 9| -3. 1| -2. 0| -0. 9| 0. 1| 1. 2| 2. | General government gross debt 1/| 68. 2| 79. 0| 82. 3| 85. 2| 87. 2| 88. 1| 87. 8| 86. 5| 84. 4| Money and interest rates (in percent)| | | | | | | | | | Money market rate| 3. 8| 1. 0| 0. 8| … | … | … | … | … | … | Government bond yield| 4. 2| 3. 6| 3. 1| … | … | … | … | … | … | Balance of payments (in percent of GDP)| | | | | | | | | | Exports of goods| 21. 3| 18. 1| 20. 2| 22. 6| 23. 0| 23. 0| 22. 9| 23. 0| 23. 0| Volume growth (in percent)| -0. 6| -12. 2| 9. 4| 6. 4| 4. 6| 3. 8| 3. 9| 3. 9| 3. 8| Imports of goods| 24. 3| 20. 4| 23. 0| 25. 8| 26. | 25. 9| 25. 8| 25. 8| 25. 8| Volume growth (in percent)| 0. 6| -10. 6| 8. 3| 6. 5| 3. 9| 3. 7| 3. 8| 3. 8| 3. 8| Trade balance| -3. 1| -2. 3| -2. 8| -3. 1| -3. 0| -2. 9| -2. 9| -2. 8| -2. 8| Current account| -1. 7| -1. 5| -1. 7| -2. 1| -1. 9| -1. 9| -1. 8| -1. 8| -1. 7| FDI (net)| -3. 2| -2. 6| -2. 0| -1. 9| -1. 8| -1. 7| -1. 6| -1. 5| -1. 4| Official reserves (US$ billion)| 33. 6| 46. 6| … | … | … | … | … | … | … | Fund position (as of April 30, 2011)| | | | | | | | | | Holdings of currency (percent of quota)| 86. 3| 80. 8| 79. 7| 73. 1| … | … | … | … | … Holdings of SDRs (percent of allocation)| 58. 1| 95. 9| 96. 1| 96. 1| … | … | … | … | … | Quota (SDRs million)| 10739| 10739| 10739| 10739| … | … | … | … | … | Exchange rates| | | | | | | | | | Euro per U. S. dollar, period average 1/| 0. 68| 0. 72| 0. 75| 0. 70| … | … | … | … | … | Nominal effective rate, ULC-styled (2000= 100) 1/| 113. 8| 113. 7| 110. 4| 111. 2| … | … | … | … | … | Real effective exchange

rate, ULC-based (2000= 100)| 113. 9| 115. 2| 109. 8| 111. 5| … | … | … | … | … | Potential output and output gap| | | | | | | | | | Potential output| 1. | 1. 0| 0. 8| 1. 1| 1. 3| 1. 4| 1. 5| 1. 5| 1. 6| Output gap| -0. 7| -4. 2| -3. 6| -2. 7| -2. 1| -1. 6| -1. 0| -0. 4| 0. 0| Social indicators| | | | | | | | | | Per capita GDP (2006): US$35, 471; Life expectancy at birth (2006): 77. 2 (male) and 84. 1 (female);| Poverty rate (2005): 12. 1 percent (60 percent line), 6. 3 percent (50 percent line);| Income distribution (ratio of income received by top and bottom quintiles, 2004): 4. 2. France Unemployment Rate : The unemployment rate in France was last reported at 9. 6 percent in the second quarter of 2011.

From 1983 until 2010, France's Unemployment Rate averaged 9. 54 percent reaching an historical high of 11. 80 percent in March of 1994 and a record low of 7. 30 percent in February of 1983. The labour force is defined as the number of people employed plus the number unemployed but seeking work. The nonlabour force includes those who are not looking for work, those who are institutionalised and those serving in the military. | TFP| In conclusion, with reforms to enhance incentives in the economy towards work, investment in more productive activities, and innovation, France could enjoy higher potential growth.

Based on Everaert and Schule (2006), staff estimates suggest that further labor and product market reforms that would bring France in line with best practices could raise growth by about ? percent per year over the medium term. This would therefore translate into an increase in the potential growth rate from 1. 7 percent to around 2? percent over the medium term. http://www. imf. org/external/pubs/ft/scr/2011/cr11212. pdf Political situation: Today's France remains a democratic country with a multi-party system, even if politics tend to be a bit bipolar between socialists and conservatives.

One main French peculiarity remains the presence of both a President and a Prime Minister, who are both very active on the home front and on the international scene. The President is elected by the people for a 5 year period. He then nominates his Prime Minister, generally from inside his own party. However, alternating periods of electoral victories and defeat have created an entirely new process, the Cohabitation where the Prime minister belongs to the political opponent of the President's party. In terms of employment, France's experience during the crisis was somewhat in between those of the Germany and the U.

S. Unlike Germany, which saw a decline in its unemployment rate and an increase in total employment—partly reflecting labor hoarding supported by policy measures—France saw an increase of over 2 percent in its unemployment rate and has not yet recuperated the employment loss since the onset of the crisis. However, compared to the U. S. which saw an increase of over 4 percent in its unemployment rate during the course of the crisis, France's experience seems rather mild. http://www. imf. org/external/pubs/ft/scr/2011/cr11212. pdf Q # 1

Problems: 1. The premature return of employees to their home country or the inability of expatriates to achieve their business goals. The reasons for Brit Managers failure would be inability of spouse to adjust, manager`s inability to adjust, other family problems, managers' personal or emotional immaturity, and inability to cope with larger overseas responsibility. 2. Some managers might not prefer to work in a foreign country and in general the cost of using expatriates is far greater than the cost of using local management talent 3.

The multinational corporation may be viewed locally as a “ better citizen” if it uses local management talent, and indeed French governments actually press for the “ nativization” of local management. 4. There may also be a fear that Managers, know that they are posted to the France for only a few years, may overemphasize short-term projects rather than focus on perhaps more necessary long-term tasks. 5. A British Manager can cost a firm up to three times as much as a domestic executive because of transfer expenses and other expenses such as schooling for children, annual home leave, and the need to pay income taxes in two countries. . There is the need to cope with a work force and management colleagues whose cultural inclinations may be drastically different from British culture, and the considerable stress that being alone in a foreign land can bring to bear on the single manager. Of course, if spouse and children will share the assignment, there are also the complexities and pressures that the family will have to confront, from learning a new language to shopping in strange surroundings, to finding new friends and attending new schools. 7.

Motivational factor is also very important because French labor will be dimotivated under the management of British people as british management style will be different from French management style. 8. Culture differences would be very important this strategy mostly failed because people cannot adjust with the culture of the host country. . (Daniels ; Radebaugh, International Business, p. 768; Phatak, International Dimensions of Management, p. 106.) http://wps. prenhall. com/wps/media/objects/728/745520/chapter13. pdf why use expatriates: There are also several reasons for using British Managers for staffing in france. 1.

The major reason is technical competence: in other words, Difficulty in finding local candidates with the required technical qualifications. Control is important reason. 2. British managers more culturally adaptable because they are already familiar with multiculturalism. 3. These managers are more steeped in the firm's policies and culture and more likely to unquestioningly implement headquarters' instructions. 4. A desire to maintain a unified corporate culture and tighter control, and the desire to transfer the parent firm's core competencies (for instance, a specialized manufacturing skill) to a foreign subsidiary more expeditiously Daniels ; Radebaugh, International Business, p. 769; Phatak, International Dimensions of Management, p. 106) Solution: We should move away from full-scale relocation of an employee and his or her family to alternatives such as frequent extended business trips with corresponding time spent back at home. short-term assignments of from three to twelve months with frequent home leave and the dual household arrangement where the employee's family remains at home and the employee sets up a small household for him or herself in the foreign country.

Cost is another significant factor behind the growing number of short-term assignments, as they are generally seen as less costly than traditional expatriate assignments. Yeargan ; Herod, " Managing Short-Term

International Assignments. Adaptability Screening: A Adaptability screening is generally recommended as an integral part of the expatriate selection process. Generally conducted by a professional psychologist or psychiatrist, adaptability screening aims to assess the family's probable success in handling the foreign transfer and to alert the couple to personal issues (such as the impact on children) that the foreign move may involve.

Phatak, International Dimensions of Management, p. 119. Past experience is often the best predictor of future success: candidates whose work and non-work experience, education, and language skills already demonstrate a commitment to and facility in living and working with different cultures. Even several summers spent successfully travelling overseas or participating in foreign student programs would seem to provide some concrete basis for believing that the potential transferee can accomplish the required adaptation when he or she arrives overseas. Developing the International Executive," p. 45. Realistic job previews: Realistic job previews at this point are also crucial. Again, both the potential assignee and his or her family require all of the information that can be provided on the problems to expect in the new job as well as any information obtainable about the cultural benefits, problems, and idiosyncrasies of the France. A pre-assignment visit to the new location by the employee and his or her family can provide an opportunity to make an informed decision about a potential relocation assignment.

The rule here is to spell it out ahead of time, " Developing the International Executive," p. 45 Orienting and Training: A four-step approach. Level One training focuses on the impact of cultural differences, and on raising trainees' awareness of such differences and their impact on business outcomes. Level Two training focuses on attitudes, and aims at getting participants to understand how attitudes (both negative and positive) are formed and how they influence behavior.

Finally, Level Three training provides factual knowledge about the target country, while Level Four provides skill building in areas like language and adjustment and adaptation skills. The depth of training is of the utmost importance. If firms are going to provide cross-cultural training, it needs to be in-depth and done with care " Cross-Cultural Training: Issues to Consider During Implementation," Canadian HR Reporter (June 5, 2000), pp. 10, 12. International Compensation: The most common approach to formulating expatriate pay is to equalize purchasing power across countries, a technique known as the balance sheet approach.

The basic idea is that each expatriate should enjoy the same standard of living that he or she would have had at home. With the balance sheet approach, four main home-country groups of expenses—income taxes, housing, goods and services, and reserve—are the focus of attention. The employer estimates what each of these four expenses is for the expatriate's home country, and also what each is expected to be in the expatriate's host country. Any differences such as additional income taxes or housing expenses—are then paid by the employer.

Hill, International Business, pp. 519–520. Incentives: One international compensation trend is the use of long-term incentive pay for overseas managers. Multinationals are formulating new long-term incentives specifically for overseas executives, using performance-based long-term incentive plans that are tied more closely to performance at the subsidiary level. These can help to build a sense of ownership among key local managers while providing the financial incentives needed to attract and keep the people required for overseas operations. Managing Human Resources in an International Business" ch 13 International EAPs: Problems such as homesickness, boredom, withdrawal, depression, compulsive eating and drinking, irritability, marital stress, family tension and conflict are all common reactions to culture shock. Treatment for psychiatric illnesses varies widely around the world, as do the conditions in government-run mental health institutions. Thus consultation with an EAP professional having extensive cross-cultural training may be critical in ensuring that appropriate medical treatment is obtained. Sustaining the Relocated Employee With an International EAP," Canadian HR Reporter (November 29, 1999), pp. 18, 19, 21. Repatriation problems: Several repatriation problems are very common. One is the expatriate's fear that he or she has been " out of sight, out of mind" during an extended foreign stay and has thus lost touch with the parent firm's culture, top executives, and those responsible for the firm's management selection processes. Such fears can be well founded, as many repatriates are temporarily placed in mediocre or makeshift jobs.

Ironically, the company often undervalues the cross-cultural skills acquired abroad, and the international posting becomes a career-limiting, rather than career-enhancing, move. Perhaps more exasperating is the discovery that some of the expatriate's former colleagues have been more rapidly promoted whiles he or she was overseas. Even the expatriate's family may undergo a sort of reverse culture shock, as spouse and children face the often daunting task of picking up old friendships and habits or starting schools a new upon their return.

Suggestions for avoiding these problems include using repatriation agreements, assigning a sponsor, offering career counseling, keeping the Managers plugged in to home-office business, building in return trips, providing financial support to maintain the Manager’s home-country residence, and offering reorientation programs to the expatriate and his or her family. Phatak, International Dimensions of Management, p. 124. See also R. Swaak, “ Today’s Expatriate Families: Dual Careers and Other Obstacles,” Compensation and Benefits Review 27 (May 1995), pp. 21–26.

Performance Appraisal: The overseas manager appraisal process can be complicated by the need to have both local and home-office supervisors provide input into the Manager’s performance review. Suggestions for improving the appraisal process include stipulating assignment difficulty level, weighing the on-site manager’s appraisal more heavily, and having the home-site manager get background advice from managers familiar with the location abroad before completing the expatriate’s appraisal. Addou ; Mendenhall, “ Expatriate Performance Appraisal,” p. 66. Q # 4 Other Operational Factors: A Country with a Global Outlook: International companies choose France because of its strategic position at the heart of Europe, the largest market in the world with 500 million consumers, and because of its membership of the euro zone, which offers the advantages of a single currency in 13 different countries. With 65 million inhabitants, France is the second-largest consumer market in Europe after Germany and the fifth-largest economy in the world, with a GDP of US $2, 670 billion in 2010. 0 million tourists visited the country in 2008. While this makes France the leading tourist destination in the world, the country was also the third-leading recipient of foreign direct investment in the world in 2009, according to UNCTAD, receiving US $65 billion in foreign investment flows, second only the United States (US $136 billion). In a global economy marked by an overall drop in foreign direct investments, the IFA and its regional partners in 2009 recorded 639 new job-creating foreign investment projects, nearly the same number as in 2008.

The number of jobs created or maintained by these new investments was approximately 30, 000. http://www. invest-in-france. org/us/why-choose-france/a-country-with-a-global-outlook. html A Springboard into Europe: France is the only European country to offer such easy and quick access to neighboring countries, with key destinations within a 2, 000-km (1250-mile) radius of Paris reachable in just a few hours. Complete freedom of movement of persons exists throughout European countries which also belong to the Schengen Area.

France has one of the longest and safest road networks in Europe, with more than 11, 000 km (nearly 7, 000 miles) of highways and 1 million km (620, 000 miles) of roads. TGV high-speed trains greatly reduce journey times between French and European cities, in safety and comfort. Paris to London takes only 2 hours and 15 minutes! France’s Atlantic, Mediterranean and North Sea coasts link the country to other continents. Five of Europe’s main ports are in France and each of them is easily accessible by road or by rail.

They can also be accessed via highly efficient waterways centralized on the rivers Seine, Rhone and Rhine. With airports at Roissy-Charles de Gaulle and Orly, Paris is a key airline hub, leading the way in Europe in terms of cargo traffic and mail, while it is the continent's second busiest in terms of passenger numbers. http://www. invest-in-france. org/us/why-choose-france/a-springboard-into-europe. html A Region for Every Project: A crossroads for European and global trade, Ile-de-France is the leading economic region in France and one of the top economic regions in the world. With a GDP of 2. % in 2011(29% of domestic GDP), and a population of 11. 6 million people in (61. 4% actively employed), the region provides easy access to a market of 500 million consumers in the 27 European Union countries. Ile-de-France boasts the fastest rail network in Europe, linking the region to other European business centers in just a few hours. In addition, three international airports link Ile-de-France to the rest of the world: Paris Le Bourget, Europe's leading business airport; Paris Orly, France's second largest airport; and Paris-Charles de Gaulle, Europe's leading hub airport.

With over 300 miles of waterways, the Autonomous Port of Paris is Europe's second largest port with ten multimodal platforms (rail/road/river). * A broad range of world-class economic sectors: automotive industry, information and communication technology, life sciences, aerospace/defense, eco-business, finance, agribusiness, professional events and meetings, logistics, fashion, design and luxury goods, business services. * Seven innovation clusters: Advancity (eco-businesses), ASTech (aeronautics), Cap Digital (images and multimedia), Finance Innovation (financial services), Medicen (life sciences), Mov'eo (automobiles) and (ICT). Number two location of choice in the world for Fortune Global 500 companies, after Tokyo * Europe's leading region for jobs created by newly set-up foreign companies * France's top region and Europe's second leading region for foreign direct investment * 680, 000 companies, 41. 5% of which are SMEs * Europe's largest commercial real estate portfolio with 50 million m? of office space (ahead of London), 30 million m? of business premises and 29 million m? of warehouse space. * Europe's leading employment area, with 53% of French managers. Europe's leading region for science and technology: Ile-de-France is Europe's top region for R; D spending. * Europe's highest concentration of students, with 27% of France's student population (600, 000 students), 17 universities and more than 350 advanced training centers, including some fifty world-renowned engineering and business schools (HEC, Ecole des Mines, INSEAD, etc.) * Paris Ile-de-France, the capital of culture and gastronomy, each yearattracts more than 42 million tourists, including 28 million foreigners. ttp://www. invest-in-france. org/us/why-choose-france/a-region-for-every-project. html Competitive Economy: In terms of overall business costs, France is a low-cost leader in Europe. Business setup costs in France, including labor, facility costs, transport, utility costs and corporate taxes, are very competitive. After social security contributions are taken into consideration, total payroll costs are lower than in the UK or Germany. Commercial and residential real estate is cheaper in France than in the UK.

The city of Paris along with the surrounding Ile-de-France region has Europe's leading portfolio of commercial real estate, ahead of London, with 49 million m? of office space. Paris is also a very appealing city. The French capital is ranked 2nd in the world, after Tokyo, for the number of company headquarters it hosts, encompassing nearly all of the 39 French groups listed in the 2009 Fortune Global 500. http://www. invest-in-france. org/us/why-choose-france/a-competitive-economy. html Intellectual property rights:

French intellectual property laws provide effective protection for patents, trademarks, models and designs. The INPI is the core of the French protection system, and filings with it are the starting point for patent and trademark protection. Intellectual property rights entitle patent holders to a monopoly on use for 20 years. Trademarks are valid for 10 years and can be renewed indefinitely. Models and designs are protected for 25 years. Company names, trade names and logos are also protected and can be cited in unfair competition lawsuits. The R ; D Tax credit:

France's research tax credit is a government policy to stimulate corporate R; D activities that is granted via a tax rebate, or offset against a company's tax liabilities. As such, it contributes to France's attractiveness as an investment location by offering companies a significant tax reduction. According to an OECD study, France's research tax credit is the one of the most attractive tax incentives in the world. Research expenditure incurred abroad is also eligible specifically in EU or EEA member states, or alternatively in France by a foreign company.

Temporary exemption from corporate tax (impot sur les societies or IS) for new companies: Tax certainty, A key Factor In France's Attractiveness To Investment Tax certainty and predictability are major concerns for the French government. In this respect, the French Tax Authorities (FTA) have introduced various instruments to improve visibility and legal certainty regarding the tax treatment not only of investments in the future, but also retrospectively, during a tax audit of such investments or any litigation proceedings.

In conclusion, tax regulation today undoubtedly reflects a desire by the FTA to improve the French tax system by instilling greater predictability and legal certainty. This tax certainty principle is clearly a major tax competitiveness factor that also helps France to maintain its attractiveness as an investment location, particularly when compared with other countries proposing lower effective tax rates. 2. Family tax credit initiative helping employees with children to achieve a better work-family balance Interest – free loans for industry :

The purpose of the business development loan scheme is to fund investment projects throughout France. Receiving funding for training and recruitment: The French government has developed a variety of instruments to provide financial incentives for businesses to create jobs and train employees. Support for environmental investments being developed: http://www. invest-in-france. org/Medias/Publications/862/doing-business-2011. pdf To have a truly single market there needs to be a single currency: At present as a British company exporting to the Continent has no idea what the