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***ON SOME ISSUES OF THE DEVELOPMENT OF THE FRENCH  
ECONOMY AT THE PRESENT STAGE***

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**Abstract.** This article examines the features of the economic development of France in modern conditions, identifies trends in the development of the country's leading industries. The dynamics and place of the most high-tech spheres of the economy are determined. Based on the statistical data presented, a comparative analysis of the development of industries over the past decade has been carried out. The materials of the article can be used by the ministries of economic development, heads of commercial enterprises, specialized universities in teaching disciplines: "World Economy", "Investments", "Foreign Economic Activity", etc.

**Keywords:** economy, industry, budget, tax system, investments

***О НЕКОТОРЫХ ВОПРОСАХ РАЗВИТИЯ ЭКОНОМИКИ ФРАНЦИИ НА  
СОВРЕМЕННОМ ЭТАПЕ***

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**Аннотация.** В настоящей статье изучены особенности экономического развития Франции в современных условиях, выявлены тенденции развития ведущих отраслей страны. Определены динамика и место наиболее высокотехнологичных сфер экономики. На основе приведённых статистических данных проведён сравнительный анализ развития отраслей за последнее десятилетие. Материалы статьи могут быть использованы министерствами экономического развития, руководителями коммерческих предприятий, профильными вузами при преподавании дисциплин: «Мировая экономика», «Инвестиции», «Внешекономическая деятельность» и др.

**Ключевые слова:** экономика, промышленность, бюджет, налоговая система, инвестиции

## **1. Introduction**

The key economies of the European Union are economies France and Germany. France's economic and political importance has increased after positive results referendum on the withdrawal of Great Britain with the EU, the so-called Brexit. Therefore, an understanding of the processes taking place in the economy of this country is important not only for studying the development trends of Europe, but also of the whole world. The purpose of this scientific work is to analyze the stages development and current state of the economy France and determining its importance among the economies of other most developed countries in the world.

## **2. Materials and methods**

The features and stages of the economic development of France have been studied in many scientific works of national scientists, however, from the point of view of Russian science, such articles are quite rare and, in our opinion, are of scientific interest from the point of view of more independent and objective research.

France's economy ranks 5th in the world in terms of volume nominal GDP and 9th in terms of GDP, calculated at purchasing power parity. Average annual GDP growth rates in the period 1998-2007 coincided with the growth rate of GDP in the Eurozone countries - 2.4%. And during the period 2008-2015 economy France began to grow faster than the economies of these countries of the Eurozone. [1]

According to IMF calculations, GDP in 2020 amounted to \$ 2.465 billion, which is 2.3% of world GDP. Similarly, GDP per capita is quite high population \$ 38,173 thousand [2]. As of September 2021 France's economy ranks second in the GDP of the European Union and accounts for about one fifth of the GDP of the countries of the euro area.

Inflation rate in the period 1998-2007 was 1.7%, and for the last three years it has been kept within the range of 0.1-0.6%.

Chronologically, the main stages in the development of the French economy after World War II are associated with the economic policy of the governments and presidents of France and the influence of external factors/

The sectoral structure of the French economy, in our opinion, is one of the most successful and efficient in the world. At the current moment by the main sector the country's economy, which accounts for over 78% of GDP, is the service sector. France is one of the world leaders in manufacturing, in the automotive, aerospace, food and cosmetics industries, as well as in the cosmetics, luxury goods and rail industries. [7]

In addition, France is showing a working the strength of the highest qualifications and the maximum number of university graduates per thousand workers. [4]

France is the most agricultural country in the European Union. It accounts for 16.3% of agricultural land. The volume of agricultural production was in 2020 75 billion euros, accounting for 18.3% of the total production of the EU countries [12].

Agricultural land is divided into arable land (64.1%), pastures (32.4%) and orchards and vineyards (3.5%) [6].

Arable land in France is located on both sides of the 45th parallel of the northern hemisphere and is influenced by a mild climate that allows for the production of a wide variety products. Due to its climate, soils and insular territories, France is the only a European country capable of producing almost all agricultural products.

France specializes in the production of wheat, sugar beet, potatoes, beef, dairy products. And in 2013 France came out on top in the world in the cultivation of grapes and the production of wine, bypassing its eternal rival Italy [5]. Livestock is 45% in the structure agricultural production.

The French energy sector is dominated by nuclear power (78.4% of total production in 2020). In addition, although France ranks ninth in the world in electricity production, however is the world's largest exporter, for which accounts for 20% of world exports [11].

Real estate, trade, education and healthcare are leading the way in the service sector. Also, a special role in the structure of the French economy is played by tourism. The country is visited by about 85 million foreign tourists annually, making it the most popular tourist destination in the world. Direct contribution of tourism to GDP was estimated in 2019 about 80 400 000 000 euro or 3.7% of GDP. The total contribution (including the acquisition of new aircraft, the construction of new hotels, the operation of security services, IT services, etc.) is 199.3 billion euros (9.1% of GDP) with a projected increase to 259.6 billion euro (10.0% of GDP) in 2026 [7].

### **3. Results**

An analysis of the economic indicators of France reveals a significant role for the financial, credit and tax system. French finance is big, complex and integrated, both vertically and globally, the system. It is dominated by five banking groups that accumulate 47.6% of the assets of all banks in France [8]. four of them - BNP Paribas, Groupe Crédit Agricole, Groupe BPCE, Société Générale - are assigned Financial Stability Board to Global Systemically Important Banks [9].

According to IMF experts, “French banks have shown significant resilience in the face of the global financial crisis, but are facing problems” [13]. French the banking system is often characterized as a system of “universal banks”. This definition refers to the provision of financial services by banks to a variety of clients, from households to large companies. While financial markets provide most of the funding for large companies, banks play an important role in financing households, small and medium enterprises.

French banks have a number of unique features, including experience in project finance. For example, the three French banks Crédit Agricole, BNP Paribas and Société Générale is one of the ten leading banks in project financing around the world [14]. France is the only European country with a majority (60%) deposits and loans managed by cooperative banks, that is, those owned by their customers. The French financial and credit system is integrated into the international one: large companies and banks usually have personal access to all international markets.

The total assets of the financial and credit system of France are more than 12 trillion euro, which is more than six times its GDP [11]. France has one of the largest insurance markets in the world; second in Europe after Luxembourg the mutual fund industry and well-developed securities markets and financial infrastructure.

French banks are one of the largest counterparties in the international markets for financial derivatives, actively mastering new blockchain technologies. Over the past ten years, the number of banks has decreased by 13%, and their share in the total financial assets of the financial and credit systems of France has increased from 50 to 56%, while the share of foreign banks in the total banking assets has increased from 15 to 18%.

The state budget of France has been in deficit over the past forty years. In 2020, it amounted to 99 billion euros, which corresponds to 3.6% of GDP. It averaged

2.2% of GDP from 1959 to 2018. reaching a record high of + 1.5% of GDP in 1959 and a record low level - 7.2% in 2009. [4].

Taxes and levies in France account for about 90% of the revenue side of the budget, and the French tax system is two-tier and provides for the payment of taxes to the state and local budgets, as well as contributions to social funds (more than 40% of the total amount of mandatory payments). In 2019, France ranked second in the EU after Denmark in terms of tax burden relative to GDP - 45.9%, and this ratio has been growing year-on-year since 2009 faster than the EU average [8].

France is the birthplace of value added tax (Maurice Lauret, Minister of Economy, Finance and Industry of France introduced this tax in 1954) and, apparently, for this reason, consumption taxes in the total amount of government revenues, in contrast to many Western European countries, exceed the share of direct taxes. All laws concerning the introduction of new or abolition of old taxes, as well as the procedure for their administration, are approved annually parliament when adopting the state budget. Parliament is responsible for passing laws (which may be proposed by the government or parliament itself). However, the law must be signed by the president before it can enter into force. General Directorate of Public Finance (Direction Générale des Finances Publiques) is responsible for the administration and collection of taxes.

Value Added Tax (TVA, *taxe sur la valeur ajoutée*) is 20%. There are two reduced rates: 10% for book publishers, hospitality, local public transport, catering in restaurants, as well as for some pharmaceutical products; and 5.5% for most food and consumer goods. Preferential rate 2.1% applies only to prescription drugs covered by social protection programs [3].

National taxes also include: personal income tax, which is calculated on a progressive scale from 0 to 45%; standard corporate income tax of 33.1%, tax on dividends from 0 to 33% and on royalties 33.33%, and excise duty on petroleum products.

There are a huge number of local taxes. The main ones are: land tax on built-up plots and land tax on undeveloped plots (taxed 50-80% cadastral or rental value of real estate, land plots); professional tax on self-employed (writers, journalists, painters, performers, etc.) housing tax, which applies to all buildings sufficiently furnished and is payable by any person (tenant owner, resident). Local authorities local governments independently establish local taxes, their rates and the procedure for collection.

Contributions to social funds appointments include four main ones. General Social Contribution (CSG). established by the Financing Law of 199, it is paid by individuals residing in France and enjoy the services of compulsory health insurance. On average, every Frenchman pays approximately 20% of their income to social security funds.

From a business perspective, the French tax system is complex, with high marginal rates and administrative costs. According to the Doing Business 2020 Report of the World Bank, France ranks 63rd in the section "Payment of taxes" out of the total tax rate on profits of 62.8%, with an average rate in the EU countries of 40.9% [5]. The national innovation system has the characteristics of one of the most effective in the world. France is ranked 11th in the world according to the European Commission's Annual Review of the Development of Innovation Systems. [nine]. Total R&D costs work in relation to GDP of the French economy is 2.3% of GDP in 2020 (target of 3% by 2025), showing stable but slow growth compared to 2018. (2.06%). France is the second largest in Europe after Germany and the sixth largest country in the world in R&D spending. The country has a large scientific base, well-equipped world-class research infrastructure. However, France's scientific performance is average in terms of returns scientific work and production base. Business spending on R&D increased from the pre-crisis period and amount to 1.5% of GDP in 2019 compared to 1.3% in 2012. Public investments in R&D have been stable since 2009. and make up 0.8% of GDP [8].

Business spending on R&D is relatively low in France compared to other developed countries. This is due to the sectoral structure of the economy, where high-tech production sectors represent a relatively modest share. In terms of industries, the costs of French businesses in R&D in production vehicles (15.0% of the total), aircraft and spacecraft (10.6%) and pharmaceutical products (10.3%) [6]. In recent years, France has significantly revised its innovation system: new institutions and funding mechanisms established; developed in 2004 policy clusters of competitiveness (poles de compétitivité) and in 2010. the program "Investments in the future" (Investissements d'Avenir), increased autonomy for universities, increased use of research credit (CIR) and innovative tax credit.

#### **4. Conclusion**

This study found that it is the country's foreign economic relations that are highly developed and have the most significant impact on economic growth. In 2019, France ranked 5th in the world in terms of merchandise exports (\$ 573 billion, 3.5% of world exports) and 4th - in terms of imports (\$ 651 billion, 3.9% of world imports) [7]. France exports mainly aircraft (13% of total exports), food (10%), chemicals (9%), industrial and agricultural equipment (8%), computers, electronics (7%), metal products (7%), pharmaceuticals (6%), vehicles (6%), textiles, clothing (5%) and electrical equipment (4%). Two-thirds of the increase in French merchandise exports to 2018-2020 fell into three product groups: "air and space aircraft", "vehicles" and "Jewelry and bijouterie". Major export partners: Germany (13.9%), USA (8.4%), Spain (6.3%), Great Britain and Italy (6.2% each).

Major import articles include: computers, electronics (9% of total imports), industrial and agricultural machinery (8%), food, chemicals, textiles, clothing, aircraft, vehicles, natural carbohydrates (7% each). The main import partners are Germany (14.9%), the USA (8.9%), China (8.1%), Italy (6.4%) and Belgium (6.2%) [7]. In addition, the foreign trade balance France over the past decade is in short supply and amounted to \$ 78.4 billion in 2020.



France had the largest foreign trade deficit with China - \$ 31.3, Germany - 17.3 billion and the United States - 10.1 billion, and the largest surplus - with Great Britain - 13.8 billion, United Arab Emirates - 7.6 billion and Hong Kong - \$ 4.5 billion [6].

In recent years, France has been consistently among the top ten countries in terms of attracted foreign direct investment (FDI), the average monthly volume of which amounted to 2.7 billion euros between 1993-2020, reaching its highest level of 20.9 billion euros in June 2008 and a record low of 8.8 billion euros in October 2016. To the financial sector and the business services sector accounts for 80% of FDI stock. In terms of foreign FDI, France is one of the five leading countries in the world in terms of volume of \$ 1.5 billion in 2019 [4] Deficit of the current account of the balance of payments as of September 2021 rose to a record over the past two years \$ 3.4 billion, which is almost 2% of GDP countries. [2]

According to the global competitiveness index, France ranks 21st in the world, and in terms of infrastructure development - 7th, innovations - 17th, in terms of the efficiency of product markets - 31st, development of financial markets - 31st, and only 51st in terms of labor market efficiency [1].

Thus, France in its post-war economic development went through stages of both extensive and intensive growth, moving from a policy of nationalization to privatization and a socially oriented market economy, forming, as a result, one of the most effective, competitive and attractive models of socio-economic development in modern world economy.

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