

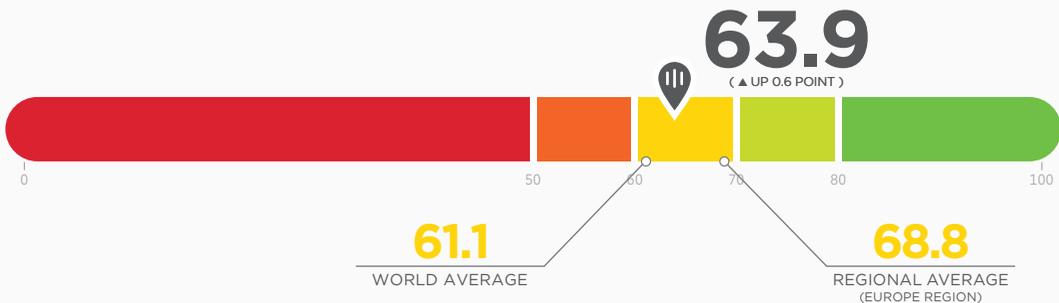
FRANCE

France's economic freedom score is 63.9, making its economy the 71st freest in the 2018 *Index*. Its overall score has increased by 0.6 point, with improvements in the scores for **investment freedom**, **fiscal health**, and **business freedom** outweighing declines in **government integrity** and **property rights**. France is ranked 34th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

France's main policy challenges are to lower the stubbornly high rate of unemployment, increase competitiveness, boost economic growth, and improve public finances. To do so, the government will have to depend on the country's traditionally resilient entrepreneurs and institutional strengths such as strong protection of property rights and a fairly efficient regulatory regime. Government spending accounts for more than half of total domestic output. The budget has been chronically in deficit and will have to be cut.



ECONOMIC FREEDOM SCORE

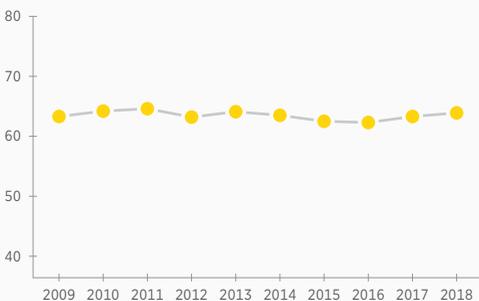


NOTABLE SUCCESSES:
Property Rights and Open Markets

CONCERNS:
Government Spending, Labor Freedom, and Tax Burden

OVERALL SCORE CHANGE SINCE 2014:
+0.4

FREEDOM TREND



QUICK FACTS

POPULATION:
64.6 million

GDP (PPP):
\$2.7 trillion
1.2% growth in 2016
5-year compound annual growth 0.8%
\$42,314 per capita

UNEMPLOYMENT:
10.0%

INFLATION (CPI):
0.3%

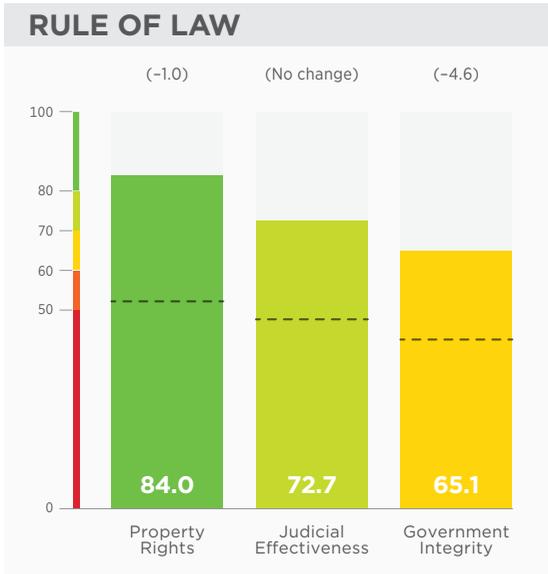
FDI INFLOW:
\$28.4 billion

PUBLIC DEBT:
96.6% of GDP

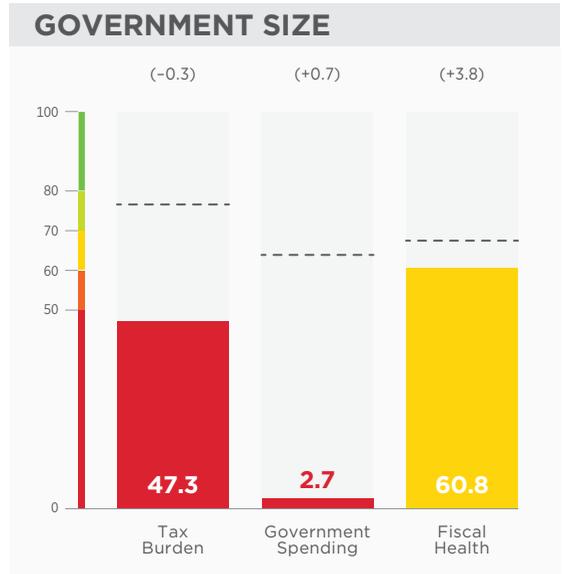
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: France is one of the world's most modern countries and views itself as a leader among European nations. In May 2017, Emmanuel Macron, founder of the center-left Forward! Party, became the youngest president since the establishment of the Fifth Republic. His party's coalition won a majority of seats in the June 2017 parliamentary elections, marked by record low turnout and a high number of abstentions. A number of horrific terrorist attacks by Islamist militants have resulted in large deployments of troops to patrol city streets. France's economy is diversified, led by tourism, manufacturing, and pharmaceuticals. The government has partially or fully privatized many large companies but maintains a strong presence in such sectors as power, public transport, and defense.

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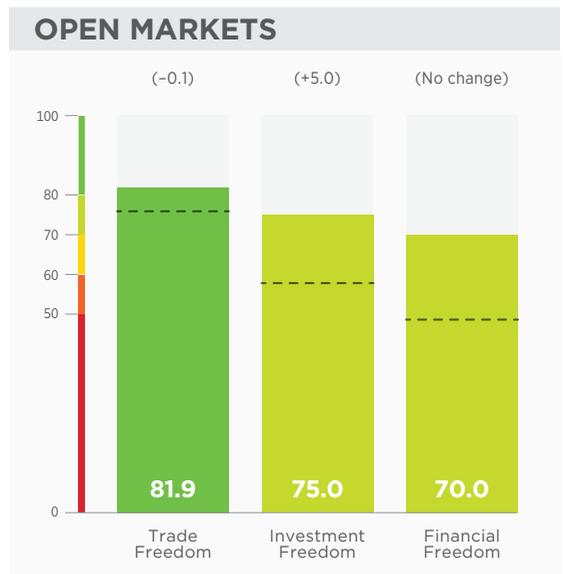
Contracts and real property rights are regulated and protected under the French civil code, but real estate regulation is complex and inefficient. France is a strong defender of intellectual property rights. The judiciary is independent, and the rule of law is firmly established. The law provides criminal penalties for corruption by officials, and the government generally implements the law effectively.



The top individual income tax rate is 45 percent, and the top corporate tax rate is 34.3 percent. Other taxes include a value-added tax. The overall tax burden equals 45.5 percent of total domestic income. Over the past three years, government spending has amounted to 57.0 percent of total output (GDP), and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 96.6 percent of GDP.



France's stable business climate attracts investors from around the world, but its complex and rigid labor laws are a major deterrent to employment growth. France is the largest recipient of subsidies under the European Union's Common Agricultural Policy, and the government's extensive system of subsidies and price controls affects a number of products and services.



Trade is significant for France's economy; the combined value of exports and imports equals 61 percent of GDP. The average applied tariff rate is 1.6 percent. Nontariff barriers impede trade. In general, government policies do not significantly interfere with foreign investment. The government invests directly in firms throughout the economy. The financial sector remains under relatively strong state influence, with only a small number of foreign banks.