Glad as I am to be attending the session of the Contracting Parties for what is now the thirteenth time, I am even more pleased this year because our friends from Switzerland, with whom we have so many links, both economic and cultural, have now been added to our number.

I should like first of all to touch on a number of problems we shall be called upon to discuss during the session, with special reference to those dealt with so fully and carefully in the study by the four economists on certain aspects of international trade.

You will perhaps bear with me if I say a few words about the present position of my country so as to make it clear in what state of mind we are approaching these problems as a whole. Last year I was obliged to explain to the Contracting Parties the difficult, and at the same time contradictory, situation with which France was confronted at the time. On the one hand economic expansion on a scale never before known in our history was at its height, while demographic rejuvenation and the transformation of industry and agriculture were going rapidly ahead. Yet precisely on account of these changes there was a serious deficit in our foreign trade balance. Economic expansion itself, owing to my country's dependence on others for many of its raw materials and part of its energy, was increasing the deficit in the balance of trade which was not covered by invisible exports, with the result that we were obliged to ask some of our friends for monetary assistance.

Today we are confronted with three new facts.

First, there has been a very marked improvement in our balance of payments, which from an average monthly deficit of 65 million dollars for the first half of the year, with a peak of 120 million in May, has
moved to a position of virtual equilibrium and even showed a slight credit surplus in the last two months. This improvement is mainly due to the successful tourist season this summer and to psychological conditions which have brought about both the more rapid repatriation of the exchange earnings of exports and the return of certain capital.

On the other hand there has been a slowing down of economic expansion consequent upon the various anti-inflationary measures taken in recent months both in the budgetary field and in that of credit facilities. The resultant shrinkage in domestic demand is now leading to some degree of economic stabilization.

Unfortunately, the deficit in our trade balance continues, although it is smaller, and although a higher percentage of our imports is covered by exports. Nevertheless, we still have a deficit: our imports, after dropping heavily have become stabilized, owing partly to the fall in raw material prices and freights and partly to the restrictions placed on imports. So far as the first factor is concerned, the improvement will not be maintained and indeed, for general reasons, it must even be hoped that there will be a movement in the opposite direction so as to bring about a better balance in the prices of world raw materials. Then again, our obligations as members of the Common Market and the Organisation for European Economic Co-operation will compel us to relax some of the restrictions on imports at the end of the year. Everything depends, therefore, on the expansion of our exports, and these have not made the rapid strides for which we hoped. They were held back, in the early part of the year, by the expansion of the home economy in France, which kept internal demand at a fairly high level, and, later, by the international deflationary situation, a reflection of the United States recession. This affected us not so much directly through a decline in our exports to the United States, which kept up well, as indirectly through its repercussions on demand in other countries, especially the economically less developed ones. In present circumstances, therefore, France's policy must be one of cautious and gradual liberation of trade. We must aim at economic stabilization—without, however, carrying it so far as to bring about a recession—since we cannot embark on a policy of renewed domestic economic expansion until we have first restored our foreign trade balance to equilibrium. And this means maintaining certain restrictions, though perhaps on a somewhat reduced scale in the case of credit facilities, and above all preserving the present budgetary equilibrium even though it entails heavy sacrifices on the part of our population and a difficult choice for the Government between various items of expenditure, all of them essential.

This then, is how the problem presents itself for my country. The restoring of order which has already begun, will undoubtedly be assisted in the coming months by the recovery which now seems to be taking shape in the United States and of which Mr. Dillon gave a striking analysis in his statement yesterday. I frankly admit that a few months ago we were all worried about the United States recession, wondering whether it was not going to lead to an actual crisis which might have had serious international repercussions
because it mainly affected the production of durable goods and was accompanied by a marked decline in private investment. Events have shown that these fears were exaggerated and that, in the traditional land of free enterprise, there are now powerful automatic stabilizers at work which, backed by judicious Government intervention, can make it possible even for imminent dangers and serious threats to be quickly ward off. The expected dangers did not materialize and the start of a genuine recovery is now visible, for prices have remained stable, while incomes, and for the most part the steady consumption of both industrial and agricultural commodities, have not fallen. There are two reasons for this: on the one hand, collective labour agreements and unemployment insurance have kept up demand on the part of the workers, while on the other, the policy of agricultural price stabilization has kept incomes steady and with them the demand of farmers for industrial goods.

The 1958 recession in the United States and its incipient repercussions on the rest of the world have brought out the seriousness of a problem to which the French delegation has been drawing the attention of the Contracting Parties for some years past and which we ourselves stressed at the last session, namely, the fact that the prices of primary products had declined substantially throughout the world, while the prices of manufactured goods were continuing to rise. We are glad that a proposal made at that time by the French delegation on the problem of stabilizing the prices of world raw materials was linked with the Australian delegation's proposal on agricultural policy, and that the joint resolution we submitted led to a report by a panel of economists of world renown, which we have all read with the greatest attention. I must say that I welcome this report, which seems to me an excellent one, both as regards the problems it raises and the clear and accurate way in which it states them. I was very pleased to see that the experts had, for once, eschewed the professional jargon of economists and submitted a report which can be understood by anyone with a fair knowledge of economics. I am also glad to find that this clear and well-drafted report has been translated in good time and into excellent French. As I fairly often assert my right to protest against delays in translation and against certain errors and slipshod language, I am particularly anxious to express my satisfaction when for once timely appearance and a high standard of translation are combined.

I should like briefly to outline our reaction to certain points in the report. In the first place, it really seems that the fundamental problem is not that of the long-term terms of trade. The report suggests that the present state of affairs represents an improvement on the past and a return to a situation similar to that obtaining before the 1929 crisis. We can therefore continue as economists to debate whether the long-term trend will be favourable or not to raw material prices. But what is certain is that the short-term instability of the prices of primary products is a catastrophe. In the space of a year it causes the less developed countries to lose more than they receive in the form of foreign investment. It prevents all rational forecasting in those countries and any real co-ordination of economic policy; it also threatens to destroy their economic, financial and social equilibrium by causing at a particular moment the return to the village.
economy of part of the population working in industry or in the mines. That is why it is not only in the interest of the industrialized countries to create conditions which will enable the less developed countries to export adequate quantities of primary products at reasonable prices - it is their positive duty. The first obligation of the industrialized countries towards the rest of the world therefore is to pursue a policy of economic stability and steady expansion at home, so as to stabilize their demand for raw materials and agricultural produce. That is their first, but not, I think, their only obligation; true, a balanced expansion will prevent a recurrence of the economic depressions of the nineteenth century but upward or downward movements will continue. Though of little importance to the countries concerned they are likely to have very important repercussions on the world market. In any case it is impossible, on essential issues, to keep the less developed countries in a state of dependence on decisions taken in other economies and thus beyond their control. It is not at a time like this, when we are revising all our relations with the territories formerly linked to us by special ties in order to rebuild them on a foundation of freedom and equality for all, that we can leave the economies of the less developed countries dependent on decisions taken by others. Nor is it possible to revert to nationalist protectionism, with each country taking separate decisions which only add to the confusion. On fundamental issues it is essential to reach decisions taken for all and by all. That is why I have read with so much interest all the considerations in our report relating to the different techniques and systems for stabilizing the prices of primary products. I will not enter into a discussion of the comparative merits of the various techniques, except to say that, while considering it essential to tackle the problems one by one as has so far been done, I am rather attracted by the experts' suggestion that related groups of production and consumption should be studied, a method which might perhaps enable certain difficulties to be more easily overcome and certain economies more easily restored. On the other hand, I am more sceptical about some of their suggestions to give preference to direct subsidies over price stabilization. I think, too, that they are labouring under a delusion as to the extent of the repercussion which some particular reduction in the revenue duties on a certain number of commodities might have on demand. This, incidentally, is a finding arrived at in nearly all reports by experts. Whatever problem they study, they always reach the conclusion that in the case in point, taxation must be reduced and expenditure increased. Unfortunately it is not always possible to do both those things at once with every problem and to follow at the same time the suggestions of all the experts. Hence, I am somewhat reluctant to accept the idea that price stabilization policies should be replaced by subsidization when I recall that agricultural subsidies cost the United Kingdom between 350,000 and 400,000 million francs, a figure which would be much higher in France owing to the large part played by agriculture in our economy. Such a policy might well be very much to the liking of the Minister of Agriculture but I am rather more sceptical about the reactions of the Minister of Finance. I also feel somewhat doubtful about changes in fiscal policy consisting of
the abandonment precisely of that type of taxation which taxpayers find it easiest to bear. When I left Paris yesterday I was in none too good a temper because I had just received a friendly little note from my tax collector enclosing a green form for the payment of my direct taxes, whereas, for the whole of this morning, while listening to my colleagues, I have gladly paid taxes to my Government without stopping, by peacefully smoking my pipe.

I feel that these factors have to be taken into account in evaluating some of the suggestions contained in the report. The main thing is that the experts recognize the need for a price stabilization policy for the principal world raw materials. This calls for the proper combination of techniques. The comparative merits of these various techniques should be discussed. We are of course aware that this problem comes within the purview of the United Nations. But I think that at this session we shall have to make a very serious effort, with the help of the secretariat, to find out what GATT can do in the matter, and to define our doctrine, and discuss the various techniques in more thorough detail. Above all it must be recognized that GATT can no longer study problems solely from their tariff and quota standpoint, disregarding the part played by the various countries in international efforts to stabilize raw material prices and to foster a flow of essential public and private investment towards the less developed countries.

The conclusion I have drawn from the analysis of the problems of the less developed countries is the same as that to which I have been led by the analysis of the agricultural problem, which is taken up in the report and to which many speakers referred in their statements yesterday or this morning.

I should first like to draw attention to what seems to be a fundamental difference between industry and agriculture in this respect. In industry there really are world prices and it is possible to frame a general policy for bringing the various national prices as closely as possible into line with world prices. It is questionable, perhaps, whether those prices today are still really free prices, as they were in the nineteenth century, when each undertaking based its figures on a price conceived as an objective reality external to itself, and whether, in the case of a very large number of commodities, we are not faced with price policies pursued by pilot undertakings, both national and international, with which the vast majority of undertakings have no alternative but to fall into line. But while there actually are world prices in industry, I hesitate to say the same of agriculture. Indeed, for most agricultural products, apart from sugar and tropical produce, I ask myself in vain what a world price could be. To take wheat: the quantities entering into international trade do not amount to 15 per cent of world production, and in the case of most other agricultural produce the percentage is below five. The volume of international trade is therefore a factor of less importance than the variations in production caused by the rainfall in any particular year, or even than the...
general average of errors committed in compiling agricultural statistics. That, I feel, is a point which has to be borne in mind when we talk about adapting national agricultural policies to an international reality, which so it seems to me is almost a mirage.

One thing that is certain is that in the sphere of agriculture we are faced with problems the social aspects of which take certain special forms to be kept in mind. We have all entered into an international undertaking to ensure full employment of our manpower, not only industrial, but rural as well. Yet there is no doubt that in most of our European countries today agricultural income is declining in comparison with other economic and social income. Marxists might start a grand debate as to whether absolute or relative pauperization is involved. I, for my part, am convinced that it is only a very relative impoverishment, accompanied by a general improvement in the economic situation of all the social groups in our countries. But the problem of the relative distribution of incomes does nevertheless arise and must be faced. The situation of the agricultural population should be gone into all the more thoroughly because we are now witnessing very important advances in agricultural techniques in all our countries and a growing exodus from the land. This is inevitable and probably necessary, but in the general interest it should proceed slowly and at a controlled rate, for it would be in no one's interest for this reduction in the active agricultural population to take place too rapidly through a mass exodus of the younger generation, leaving the land to the old and middle-aged and thereby checking the revolution in agricultural techniques which has already begun and can only be carried on by the younger generation. Accordingly, we are faced with the need for an agricultural policy of expansion founded on stability. This implies a guarantee of sufficiently stable target prices, with a progressive scaling down of prices for types of production which should be discouraged and gradually abandoned, and, on the contrary, an improvement in prices for crops which it is necessary to encourage as part of the general plan for the expansion of our economy.

That is why the problem confronting us must be defined. It has been stated, and we are well aware of the fact, that all countries nowadays have a policy of intervention in agriculture, and that their policies are not always in conformity with the rules of GATT.

Some countries have obtained waivers which they apply with a certain amount of flexibility; others have not asked for waivers but do not perhaps always show very great respect for the rules as at present laid down in our statutes. I wonder therefore whether we should not look the facts in the face and, instead of discussing such-or-such a technique, try to come to a decision on the actual substance of the policies followed. In reality any policy, whatever the technique employed, is bad and blameworthy if its effect is to defend, in agriculture or elsewhere, the status quo and stagnation. And any policy, whatever the technique employed, is to be
viewed with favour if its effect is to ensure a balanced economy, to avoid serious slumps from which everyone would suffer and to promote general progress and overall expansion within that balanced economy to the ultimate advantage of all. Outside countries have no tacit right to expect the economic structure of a given country to remain unchanged for their benefit. Faced as we are with the movement of the less developed countries towards industrialization, we claim no acquired rights for our exports. We are aware that this industrialization, necessary to the less developed countries involves the loss of certain outlets for the exports of the industrialized countries but this loss is offset by the opening up of other prospects. We must accept the need to transform and adapt our structure to the movements taking place in other lands. Moreover, we should not claim a sort of acquired right to see that their economic structure remains unchanged and does not undergo the transformations we are ourselves trying to carry out in our own agriculture. On the contrary, every country is entitled to pursue a policy of expansion. Let us suppose that there is somewhere in the world a model country from the standpoint of the formal application of the rules of GATT, which has abolished all quotas and all customs duties, but is carrying out an economic policy at home which leads to the stagnation of its economy and that, as a result, neither its consumption nor its imports increase. Compare that country with one which has perhaps not always observed all the rules of non-discrimination but is pursuing a policy of expansion, increasing its production and hence its imports. It is the second country which, in reality, would be complying with the rules of our organization, because GATT’s main purpose is to promote the expansion of international trade and, consequently the increase in production which makes such expansion possible. We must acknowledge and proclaim that if one country lacks a policy of expansion the rights and interests of the others will suffer. We must acknowledge and proclaim that each country, pursuing a policy of expansion founded on stability, must try to give not only itself, not only its close associates, but all other countries together the benefit of it by increasing to the utmost its international trade as a whole.

This is what the six Common Market countries tried to do at their Stresa conference, by framing a creative and progressive policy for European agriculture; OEEC has itself recognized that it is not possible to go very far towards freeing trade in agricultural products without a minimum of concerted agricultural policy. The United Kingdom is entirely of that opinion, judging by its desire to exclude agricultural products from the free trade area negotiations. We must therefore pose the problem openly at the international level with reference to the proposals made by our Australian friends, to the Treaty of Rome, and to the difficulties at present experienced in this field by our friends of the Federal Republic of Germany. I feel, however, that there is no German problem as such, but rather a German case, which raises a general problem. It is this general problem which we must tackle, envisaging, if necessary, changes in some of our present rules of agricultural policy to bring them into line with the facts and make them more effective.
I shall draw the same conclusion regarding another problem with which we shall be faced at this Session, namely, that of relations with certain countries whose foreign trade is a government monopoly and where general planning of the economy is practised, in forms which are tending to vary more and more from one country to the other. We shall have to consider whether we are prepared to recognize the existence in the world of types of economy different from those on which the initial rules of GATT were based. Such countries exist and there is much to be gained by expanding our trade with them, on condition that a balance is struck between the advantages some of those countries would obtain by acceding to GATT and the obligations they would assume, which should be adapted to their present economic structure.

I should like to add a few words about our European Economic Community. I will be brief, because we had lengthy, and at times rather futile, discussions on this subject last year. I am glad that we are no longer at the stage of theoretical debate or of considering the hypothetical consequences of events that might occur in an indefinite future. I hope consultations will start as soon as possible on concrete cases relating to prejudice actually sustained at the present time. I would emphasize once again that we are prepared to engage in such consultations and that if we have tried to work out a common policy between us, it is in order to create institutions which will enable us to pursue together by suitable means a policy of expansion. We wish, in our relations with other countries, to see that within this common expansion there is a balanced exchange of mutual assistance to the benefit of all.

We are pleased to see that on this point we are no longer regarded as heretics, as was the case last year. In many other parts of Europe and of the world, negotiations have started and contacts have been established with a view to preparing regional agreements along those very lines.

Finally, I wonder if all this will not compel us to re-state certain problems in connexion, not indeed with the principles, but with the techniques of application of those principles within the framework of GATT. We set up the organization just after the war, in the possibly too credulous belief that in order to promote wider and freer trade throughout the world it was sufficient to conclude a series of agreements on the lowering of tariffs and to combat quantitative restrictions and quotas. This task has been accomplished and we have got results. The significance of the fact that the Customs régime has remained stable for ten years should not be underrated. For it was the instability of Customs duties and the tariff battles waged between the two wars that was one of the fundamental causes of the extension of the 1929 depression and the general panic which smashed the world market at that time and led to the disappearance of every common rule. Thanks to GATT a series of restrictive measures have been, if not completely abolished, at least very substantially reduced. But we have reached a point today where it is difficult to proceed any further unless progress is made at the same time in other spheres. What is needed is a minimum of
stability for raw material prices, a regular flow of investment on which the less developed countries can rely, and a common international policy in agricultural matters. We should, I think, go beyond the stage of the mere administration of set rules, the mere elaboration of a case-law which we have built up step by step and which has been extremely valuable to us; it is now time to pose the problem of a concerted economic policy, if possible on a world-wide scale, if not, starting at the regional level. We therefore welcome the proposal made by the United States Government and submitted by Mr. Dillon, that further negotiations should be undertaken in the field of Customs duties and quotas, linked, however, to a more general and comprehensive effort to work out a concerted economic policy. In this connexion, the three golden rules of GATT should be observed: the promotion of expansion everywhere, mutual assistance to ensure this general expansion founded on stability and, whatever the technical methods employed, a fair balance of advantages and drawbacks in the negotiations as a whole undertaken within the framework of a common policy.