I am glad that this ministerial meeting gives me the opportunity to participate for the first time in the activities of GATT and to speak under your chairmanship and in the presence of the distinguished persons met round this table Mr. President.

The last ministerial meeting of GATT was held more than two years ago in October 1959 at Tokyo so it has behoved us to make another review of problems that are difficult and are rapidly changing. As emphasized in the excellent report drawn up by our Executive Secretary, to which I would like to pay a public tribute, the very progress made by GATT in the past thirteen years obliges us to reconsider, and perhaps adapt, our objectives and our methods.

With the gradual abolition of barriers to the free movement of goods, fresh problems have arisen which must be given our full attention. They differ, moreover, as between industrial and agricultural products. In the former case we must discover a fresh impulse to carry us forward towards quota and customs disarmament. In the second case, we must try to find a solution for the problems raised by the accumulation of very large surpluses of certain commodities.

I feel - and this will be the general burden of my remarks - that the policy of economic integration, to which my country has given its unbroken support, presents us with an opportunity for, and a means of, discovering this impulse and finding this solution.

In the field of industrial production 1948 found us in a world bristling with customs and quota barriers. Customs barriers were the result of the tariff conflicts which began in the last quarter of the nineteenth century between the chief industrialized countries or the countries beginning to be industrialized, conflicts which finally spread over the whole universe. Many efforts were made between the two world wars but they proved powerless to reduce the often very high tariffs which were the consequence of those conflicts.
Quota restrictions, more recent in date, but also more brutal in their impact, completed the job of breaking up international trade.

Since 1948, however, thanks mainly to the unflinching efforts of the Member countries of GATT, the wave of protection has begun to ebb back.

Some remarkable results have been achieved. Quotas on industrial products have virtually disappeared between the principal industrial countries. True, it has not always been possible to achieve the same amount of progress in the case of other Members of GATT, for quotas are such an effective weapon that they create an entirely new situation, which it is not always easy to reverse. The liberalizations, however, which have been effected and those shortly to be decided on, seem to me to guarantee the eventual success of our efforts in this field.

In the case of tariffs, progress, though steady, has been relatively slow but the new, and to my mind capital, fact of the formation of regional economic groups, should enable us to set more ambitious targets.

May I, in illustration of my remarks, cite the case of my own country. Since the end of the second world war, France, in spite of the difficulties experienced with her balance of payments, has constantly followed a policy favourable to tariff disarmament. In 1951 in this very hall, one of my predecessors, former Prime Minister Pflimlin, proposed a 30 per cent reduction over three years in customs duties as a whole, as a solemn symbol of our joint repudiation of the excesses of economic nationalism. If, however, for some years past my country has succeeded in making considerable progress in the sphere of quota and tariff disarmament, this is mainly because when it ratified the Rome Treaty in 1957, it resolutely decided to adopt a policy of economic integration. This decision, taken at a time when France was forced, by a serious balance-of-payments crisis, to reintroduce a general quota system on imports, meant that France was staking an optimistic wager on Europe in the dogged conviction that the national economic entities of the nineteenth century, which had become much too narrow and consequently acted as a brake on general prosperity, were a thing of the past.

France, of course, was not the only country to be a member of a regional economic grouping. In following this direction, we have had the feeling that we are sharing in an immense movement for the dismantling of tariff and quota restrictions. A growing proportion of international trade is thus being freed from customs duties and quantitative controls. Take for instance, the case of customs duties, I find that trade within the EEC, which represents about 10 per cent of world trade, is gradually being liberated from customs duties. The EFTA countries have taken a similar decision, affecting in turn some 4 per cent of international trade. If we add to that the internal trade flows within in the French franc area or the Commonwealth, which probably amount to nearly 12 per cent, it will be seen that, as a result of recent
decisions or earlier arrangements, tariff regulations will cease to operate, wholly or partly, over a quarter of world trade, or more than a quarter when the South American free-trade area begins to produce its effects and, of course, much more when Great Britain accedes to the Common Market. Little by little, tariff levies which were a regular operation for our customs officers, will tend to become the exception. In my country, for example, where the aggregate imports from the EEC, the United Kingdom and the French franc area, represent nearly 75 per cent of total trade, we are heading towards a situation where the frontier customs offices will very likely levy duty on no more than a bare quarter of the goods and probably less than a fifth, if allowance is made for the effects of integration.

There is the further fact that the most important of these regional groupings, the EEC, has, from the outset, decided to follow a liberal tariff policy, as witness its offer of a general 20 per cent reciprocal and linear reduction on industrial products within the framework of the Dillon round. It hopes, moreover, to evoke by its action more general reciprocal reductions, particularly with the industrialized countries which still maintain a high tariff wall or charge abnormally heavy duties on certain products.

Thus, though it may not always be clearly realized, protective tariffs are gradually being eliminated over a considerable volume of world trade.

I feel that we should draw the conclusions from this development. In the first place, it proves that we can lower, and even abolish, in many cases, customs protection without the catastrophes prophesied by certain people resulting. Total abolition of customs duties is probably only conceivable between countries which agree to integrate their economies in all sectors. But, even without integration, very substantial reductions of customs duties can be tolerated.

The second conclusion is that our present method of negotiation, which was unquestionably valuable, is no longer sufficiently effective.

Our individual commodity negotiations have failed to eliminate high tariffs on certain products of the industrialized countries which are determined to maintain effective protection everywhere, whereas in the case of tariffs which are already comparatively low, the reductions can only be slight.

I am particularly gratified to find myself in agreement on this point with views recently expressed by very highly-qualified American authorities. I agree with Mr. Ball, for instance, when he said on 1 November last, in New York, at the Forty-Eighth National Foreign Trade Convention, that automatic linear reductions, jointly agreed upon, can give good results.
The experience recently gained in this matter by EEC and EFTA shows that linear reductions are practicable and effective. I would, therefore, fully agree that, without entirely excluding tariff negotiations of the traditional type, we should embark on linear reductions made by stages and adapted to the structure of the various tariffs.

Naturally, certain precautions would have to be taken and in this connexion I might mention three special cases.

There is, in the first place, the problem of trading with countries, where foreign trade is a State monopoly. In the case of these countries, it is quite obvious that we cannot fight on equal terms in the commercial field if we follow the traditional liberal methods and that the level of customs protection is not in their case an effective weapon of trade policy. Accordingly, the fact of doing trade with such countries should not be an obstacle to lowering customs duties and we should concentrate rather on trying to lay down more up-to-date methods, better adapted to the real conditions surrounding such trade. Such a task would, I feel, fall within the province of GATT and could, I feel, be profitably undertaken.

In the second place, there are the trading difficulties experienced between countries whose production conditions are structurally different. That is certainly a problem and it would be unrealistic to deny it. We cannot by a simple act of will abolish the disparities in cost prices, sometimes quite large, which exist between our countries. These disparities, however, generally apply only to a few products and the structural differences, again, will tend to diminish or even disappear. I feel sure in any case that, since the industrialized countries are much too conscious of the importance for the developing countries of being able to sell in the biggest possible markets, they will not fail to adopt an understanding attitude in this matter.

Finally, a last and special point on which I would like to speak is the question of industrial products: the tariff policy of the countries still undergoing development. On this subject I feel, of course, that there can be no question of not allowing them to introduce or maintain customs tariffs, if they feel this is needed as a fiscal weapon or in order to protect their infant industries and encourage their economic development. But, just as the industrialized nations can now envisage abandoning most of their customs tariffs, so the under-developed countries can also make a gradual start in this direction. What has become past history for the industrialized countries will become past history also for countries that are now being industrialized.

I think I can conclude that these few exceptions do not detract from what I have just been saying. We can, and we must, abolish most of the customs duties levied on industrial products, which are very often the legacy of former days. And to do so, we must make linear reductions, subject to a few exceptions being permitted.

Those were the remarks I wanted to make about industrial products. As I said at the beginning of this statement, my second topic will be agricultural products.
First of all, it should be noted that the position in this regard is radically different from that of industrial products. For the latter, all that was really needed was to accept the consequences of a process of evolution which, perhaps without our realizing it, brought its own solution; in the case of agriculture, on the other hand, the situation requires us not to recognize a fait accompli, but to take action to free ourselves from the stagnation into which we have fallen.

As the Contracting Parties to GATT have wisely recognized, trade in agricultural products cannot be dealt with in Committee I (Tariffs) but calls for a different approach through Committee II. What is it that we find?

We must be realistic and recognize that, for all the goodwill we all of us display, the rules of free competition cannot be applied to agricultural products. It is beyond our power to "elasticize" the solvent demand for agricultural commodities, the production of which is increasing at a rate never before known as a result of technological progress. And, for obvious social reasons, we cannot agree to allow the free play of market mechanisms, for the result would be a slump in prices.

What is the world context of this situation?

If we try to distinguish the main features of a complex situation which is constantly evolving, we find divergent trends in agriculture in the three principal zones existing in the world of today.

I shall merely mention in passing that, as you know, in the eastern countries the industrial progress achieved is sometimes remarkable, but agricultural results are rather disappointing.

The eastern countries as a whole, which traditionally export agricultural products, imported such products to a value of $500 million in 1960 even before the catastrophic weather conditions experienced in China in 1961.

Turning now to what I would term the "third" countries, we find that their agriculture is insufficient to feed a population which is increasing faster than agricultural production. The overall world population increase was 1.6 per cent in 1960, and more than 2 per cent in "third" countries, whereas agricultural production rose by only 1 per cent; moreover, the industrialized countries accounted for most of the latter increase. In Africa and Latin America per capita production is still below the pre-war level.

In the past five years this inadequacy of food crop production has been accompanied by serious difficulties for export crops. In 1958, as a result of the drop in commodity prices, the export earnings of the less-developed countries fell by some $3,000 million, which virtually offset the effects of the financial assistance given by western countries to "third" countries. Thus, in the past five years the price of coffee has fallen by 30 to 60 per cent, depending on the quality. On the basis 1948/58 = 100, the terms of trade have fallen to seventy-seven for Africa and seventy-two for Latin America.

In the western world, on the other hand, difficulties have arisen from the accumulation of surplus stocks. For obvious social and economic reasons, the industrialized countries decided to protect their agriculture and so, first in the United States and then in Europe, governments adopted policies of keeping domestic prices high in order to guarantee agricultural producers an income level comparable to that of industrial workers. This policy, coupled with technical progress in
agriculture, has led to increased surpluses. To take only one example, the United States are holding stocks of more than 100 million tons of cereals which can obviously not be disposed of through normal trade channels.

Policies like these, whose legitimacy is beyond dispute, have brought us to an absurd situation in which we have, on the one hand, an accumulation of surplus stocks while, on the other hand, tremendous needs go unsatisfied.

What is more; in order to be able to sell their commodities, the producing countries are engaged in a ruinous price war which results in their subsidizing the foodstuffs consumed by their principal industrial rivals.

We shall, undoubtedly, have to change our policies, or at least try to reconcile the aspirations of all parties by seeking solutions based, not on free movement, which would be impracticable, but on some degree of market organization.

I believe that a means and an opportunity for organizing world trade in agricultural products more satisfactorily might be found in the results that would follow on the application of the common agricultural policy provided for in the Rome Treaty, combined, inter alia, with the food donation method which was started several years ago by the United States under their generous "Food for peace" policy.

As you know, France considers that the establishment of a single agricultural market in Europe is of fundamental importance - firstly, because the Rome Treaty is not merely a customs union but provides for complete economic integration; secondly, vis-à-vis the international GATT rules, the Rome Treaty would not even be a customs union if it did not cover agricultural products; lastly, because for the first time, the great industrial countries are going to accept common rules which can serve as a model to the whole world for the solution of international agricultural problems. To me it is obvious that if the Six, who will perhaps shortly be joined by the United Kingdom, base their agricultural policy on normal prices, as the United States of America have already done, it is hardly conceivable that the other countries exporting agricultural products will continue to sell at lower and lower prices.

In this respect the levy technique should have a salutary effect by encouraging exporting countries to raise their prices. In the second stage, however, higher prices might lead to increased production and a fresh deterioration in prices. That is why the application of the Common Market's common agricultural policy concerns not only the Six but also third countries which must try to find a basis for general agreement in order to avoid a price war among themselves.

As we in France see it, the common agricultural policy should result in a trend both towards standard world prices and a concerted policy of food aid; in other words, if we combine our efforts, the common agricultural policy embodies two of the conditions needed for the development of third countries.

If anyone says that those conditions are beyond our powers, there is an easy reply - they have already been met as regards the principal items of trade.

In the case of wheat, world production (not including eastern countries and mainland China) amounts to 135 million tons, and international transactions at world prices amount to only 20 million tons. Very important regional agreements for sugar (the Commonwealth Sugar Act, the Franc Area Sugar Act), but out
of 50 million tons produced, only 6 million tons are sold at international prices.

The food donation programme has developed to such a point in the United States that this year foreign sales of wheat will represent only one third of the amount of wheat disposed of on so-called "abnormal" terms.

That is why I believe the time has come when we should together consider if we cannot go still further.

More specifically, I would suggest the establishment of a study group which might meet around 1 February next in order to have a thorough discussion of the idea which I have expressed but have only been able to outline briefly. I think it should consider two questions: the question of level of a standard price for exports to the wealthy or highly-developed countries which would be the same as the production price in those same countries and, the question of ways and means of preventing over-production.

In the initial phase, the group should limit its studies to a single concrete case, that of cereals. But if the idea proved successful, I believe there would be everything to gain from a similar study of problems relating to other products, of which coffee might be the first.

In the case of these products also, I am quite sure that the existence of the European Economic Community and the trade policy implied by the association with this Community of many overseas countries and territories will enable us to begin studying their problems from a fresh angle and to try to organize on more satisfactory lines the international trade in such products.