MEMORANDUM BY THE FRENCH DELEGATION CONCERNING THE IMPORT PROGRAMME FOR THE SECOND HALF OF 1957

This memorandum concerns the French import programme for the second half of 1957. The reorganization programme will be dealt with in a separate communication.

In establishing the new import programme, the French Government has taken into account the suggestions made by the Steering Board for Trade of the OEEC in document C(57)132 of 24 June 1957, although the Council has not yet taken a decision or made a recommendation concerning this document.¹

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1. The French Government has already followed the recommendation contained in paragraph 8 of the Report of the Steering Board for Trade, with regard to goods which were en route on the date on which liberalization was withdrawn. The Exchange Office has been instructed to settle any problems that may arise in this connexion in accordance with the Council's Decision C(52)244. (See Annex II.)

2. With regard to applications for licences, which it has not been possible to grant beyond 50 per cent (see paragraph 9 of the Report), the French delegation wishes to indicate that the Government has instructed the competent services to give careful and sympathetic consideration to all cases where legitimate and normal trade interests might be impaired as a result of this restrictive measure. In particular, all licences relating to orders which it would be difficult to split will be granted in full.

3. With regard to current contracts, the importers concerned must submit supporting documents with the application. In all cases where the validity of the contracts is established licences will be granted with priority and will be recorded as against the current programme. Care will be taken, however, to reserve an equitable share of licences under the programme for importers whose purchases are not subject to prior contracts and for importers who enter into additional contracts. It may therefore prove necessary to spread the implementation of existing contracts over a period of time. The French administration will give careful consideration to all urgent cases which are brought to its attention.

¹ In view of the technical difficulties resulting from changes in the customs nomenclature, the statistical programme (Annex I) will be transmitted in about ten days' time.

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4. Although the import programme has not yet been established in full detail, the French delegation is able to announce now the measures taken by the French Government in order to meet the wishes expressed in paragraph 10 of the Report of the Steering Board for Trade.

(a) The overall import figure programmed for the second half of 1957 has been calculated bearing in mind the reduced availabilities in foreign currency, the expected amount of exports and an evaluation of the normal needs of the French economy in its present stage of development. These calculations have led the French Government to envisage currency allocations for actual imports not exceeding F.Fr. 700,000 million in the second half of 1957.

However, these calculations are subject to two uncertain factors. First, the inventory situation is not yet fully known. Secondly, there is no indication as to how present holders will use the large number of licences issued before the withdrawal of liberalization and which are still valid. In order to encourage a substantial reduction of stocks in the three coming months and to avoid licences in circulation being used too rapidly, the French Government has decided to limit the foreign currency allocated during the third quarter of 1957 to an amount considerably smaller than the monthly average for the second half of the year. Therefore the amount of foreign currency allocated during the fourth quarter of 1957 will no doubt be higher than this monthly average. If, however, the situation has become more clearly defined in the meantime, the amount of imports scheduled for the last quarter of the current year may be readjusted.

Any general application of this method of restriction on a three monthly basis might, however, damage the interests of foreign suppliers in the bilateral sector, as well as in the sector of previously liberalized consumer goods. For this reason, the Government has thought it preferable to apply the quarterly restriction only to a group of products, whether or not previously liberalized, consisting mainly of the principal raw materials and certain capital goods.

In other words, the bilateral sector and the sector of previously liberalized products other than the products mentioned above will immediately receive an allocation of foreign exchange equal to the total amount provided for the six-month period. The French Government will therefore assume full responsibility if the ceiling is exceeded as a result of the utilization of licences which were issued prior to the withdrawal of liberalization.

Imports of products in the group which includes raw materials and capital goods will be planned according to current needs only, without reference to the past. On the other hand, imports of other previously liberalized products will be planned only on the basis of past experience, regardless of expected current needs.
In order to draw a clear distinction between these two groups of products, two separate programmes have been drawn up: Programme A, which is not based on a reference period, and Programme B, which has been established on the basis of a reference period.

(b) As regards Programme A (see Annex I, A), the licences issued will generally be global licences, in that they will be valid for imports from all member countries, the United States, Canada and the EPU currency transferability area.

(c) Programme B (see Annex I, B) has been established in accordance with the following rules:

(i) Products are divided into 146 categories (see Annex II for the list of these categories). In order to take into account certain criticisms which have been made on earlier occasions, this division is more detailed than was the case in previous French import programmes. The categories are based on the new customs nomenclature.

(ii) The global amount of foreign exchange allocated to imports based on a reference period is equal to the value of all corresponding imports effected in 1955. This amount is, however, distributed as among the various categories of products, on the basis of the 1956 import figures.

(iii) The rate of reduction as compared with the 1956 figures is the same for all categories. However, a maximum deviation of 10 per cent in either direction has been allowed in the interest of flexibility. In addition, 5 per cent of the global amount will be held as a reserve to meet unforeseen circumstances and to modify the programme during its implementation, should the need arise.

(iv) Imports of particular products will be subject to the issue of global licences, valid for all OEEC member countries. Where a product had been liberalized in respect of both the EPU area and the dollar area, global licences will also apply to the latter.

(v) In allocating global licences among importers, account will be taken of antecedents, i.e. the relative importance of imports (as a percentage of total imports) effected in the past by the importer concerned. An appropriate proportion of licences will, however, be held as a reserve in each category, in order to meet the requests of those users who effect direct imports without resorting to the services of professional importers.
5. The French Government is not considering any modification of bilateral agreements.

6. To a certain extent, the advance deposit system is a duplication of the recent measures taken by the French Government to restrict credit facilities. This system will therefore be reconsidered within the framework of the general reorganization programme. In the meantime, part of the amount deposited has been frozen, in accordance with the recommendation in paragraph 12 of the Report of the Steering Board for Trade (see in Annex IV the text of the relevant Decrees.)

7. As regards the special import tax, the French Government shares the views expressed in paragraph 13 of the Report of the Steering Board for Trade, both concerning the uniform rate of the tax and its general application. The French Government considers, however, that there are major reasons to support the progressive application of a general levy of the tax at a uniform rate.

A first step in this direction is currently being examined, and the Government's decision will be announced to the Organisation without delay. In any case, the French Government has constantly in mind its obligation under the Code of Liberalization not to subject previously liberalized products to conditions less favourable than those which obtain in the bilateral sector.