Declaration by the Head of the French Delegation

Mr. Chairman,

It is no doubt useless to tell you how sorry I am that my first direct contact with C.A.T. should be due to the intensification of French import restrictions which the French Government could not avoid about a month ago. No one could deny that, in fact, such measures have a damaging effect. The country which has to institute them suffers often more from the economic point of view than countries which have to bear the consequences in one sector only of their external trade. However, there is, in my opinion, in the present case, one comforting feature. Indeed, contrary to what took place five years ago, the present French balance-of-payments crisis is due less to an excess in consumption than to an economic expansion drive which may be regarded as basically sound although it has perhaps been too rapid. This is the reason why one may well say that this is to a large extent a growing crisis which carries with it its own remedy because, while the investment drive has temporarily upset the French balance of payments, it will bring about in a not too distant future an increase in exports which will make it possible to restore equilibrium which has been jeopardized on a short-term basis.

From a strictly economic point of view, the French experiment could have been pursued, in my opinion, without major risks, because the temporary conversion of part of the monetary reserves into capital goods is a good thing if the capital goods acquire makes it possible to restore the previously existing level of reserves within the near future. Unfortunately, the monetary reserves of France proved inadequate, in particular because a forestalling move inflated the normal rate of imports. The French Government therefore had to intervene, not only to put an end to speculative buying, but also, unfortunately, to reduce temporarily the normal supply of the country to the level made necessary by the decline in monetary reserves. Taking account of the depletion of such reserves, the balance-of-payments equilibrium had to be restored at any cost. Restrictive measures had therefore to be taken. Our experts will explain to you the details of the measures taken and I, for one, shall merely expond to you the main lines of the action which the French Government decided to take.

A conservative estimate of our exports and a careful evaluation of the results of our non-commercial transactions leads to the conclusion that France cannot possibly have available more than 650 billions French Francs to finance her imports during the second half
of 1957. To achieve equilibrium, it would therefore have been
necessary to reduce the overall import figure to that level. This
is what we endeavoured to do. Taking account of the fact that
imports of some essential raw materials have been unduly high during
the first six months of the year, we thought we could appropriately
authorize for the second half of 1957 an import figure markedly
lower than current effective needs. Therefore, currency appropri­
tions for this category of imports could be substantially reduced and
brought down to 545 billion French Francs compared to an effective
import figure of 600 billion for the second half of 1956. There is
therefore available for other items as a whole a global figure of
about 105 billion French Francs. Now, imports of the very same items
during the corresponding period of 1956 represented about 180 billion
French Francs. The reduction therefore would have been very substan­
tial and could have caused serious prejudice both to international
trade and to the French economy where unduly restrictive measures
might well bring about a resurgence of protectionism. It is in those
circumstances that the French Government determined to take a decision
which, from the strictly financial point of view, is no doubt open to
criticism. It decided to find the currency resources necessary to
meet a relatively accepted deficit of no less than about 50 billion
French Francs for the current six-monthly period. In other words, the
authorized imports ceiling was raised from 650 to 700 billion French
Francs. This made it possible to alleviate the effects of restrictions
on two essential points. On the one hand, it seemed fair not to allow
restrictions to affect countries which had not previously benefited
from the liberalization measures which are now being suspended to the
extent that we have trade undertakings with these countries. As far
as such countries are concerned, nothing therefore will be charged.

On the other hand, restrictions upon imports of formerly libera­
lized items other than raw materials do not represent anything more
than a further 25 to 30% reduction as compared with 1956. This reduc­
tion will in any case be the same for all manufactured articles,
whether essential or not. Thus, globally speaking, imports for the
second half of 1957 will be lower than imports for the second half
of 1956 by 11 per cent only. The bulk of the economies achieved in
the conditions which I have already indicated will in fact affect
mostly raw materials. As a result of the solution adopted, the dis­
crimination which existed in the past as between countries to which
French liberalization measures were applicable and other CATT countries
will be alleviated because restrictions will be felt only by the former
group. Furthermore, restrictions upon imports of formerly libera­
lized items will involve no discrimination against countries to which
liberalization measures had been applicable because such imports will
in future give rise to the issuance of licences which can be used for
imports from all the countries concerned. It may be that countries
which had not been benefited from previous liberalization measures could
be at some disadvantage. But even this appears to be equitable...
considering that those countries did not enjoy in the past the benefits conferred upon the others.

As I said before, Mr. Chairman, our experts will explain the details of the specific methods to be followed for the application of the principles which I have briefly outlined. But I would not wish to conclude this brief statement without saying a few words of what I believe future prospects may be. International agreements - and I have in mind the commitments which France has undertaken within the framework of OEEC and the Rome Treaty establishing the European Economic Community - allow France a maximum period of 18 months to restore the system which existed before de-liberalization. Experience shows that such a time-limit is not unduly long, so true it is, unfortunately, that balance-of-payments equilibrium takes longer to be achieved than deterioration. I must tell you why it seems to me that this time-limit is realistic in the case under consideration.

First of all, one may hope that in the course of the next 18 months there will be no such exceptional circumstances as those which, during the last 18 months, have caused an increase in the French trade deficit, i.e. the bad harvest of 1956 which has resulted in an additional trade deficit of 100 billions French francs and, as I said before, an unduly high import figure for the last 18 months which, I believe, will in future contribute to a speeding up in the restoration of equilibrium. On the one hand, the inflation of certain stocks will make it possible to dispense with some imports of raw materials in the forthcoming months. On the other hand, excess in investments - to the extent that there has been some excess - will bring about a more rapid and a relatively greater increase in our exports.

Lastly, I will wish to say like our English-speaking friends, lest not least, there is a psychological factor which, in my opinion, cannot be underestimated. It must be confessed that France has a time-honoured tradition of " Colbertianism". Obviously, time is necessary to alter such deep-rooted traditions, but I, for one, feel that France, in this field, will be moving very fast. Enlightened public opinion is now aware of the fact that Colbert and his followers whether European or not, belong to bygone times. And, in this radical change which is occurring in French public opinion, the Rome Treaty is certainly playing an important part.