

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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WORKING PARTY 5 ON BALANCE-OF-PAYMENT IMPORT RESTRICTIONS

NOTE ON THE FRENCH BALANCE-OF-PAYMENTS SITUATION

Statement submitted by the French Delegation

A - 1951

1. The latest returns available concerning the balance of payments between the franc area and other countries are the recently-published figures for 1951, summarized in the following table, which shows how they compare with the corresponding figures for 1950.

	<u>Unit - 1 million U. S. dollars</u>	
	<u>1950</u>	<u>1951</u>
Exports	+ 1,880	+ 2,496
Imports	- 1,958	- 3,267
Overseas territories' deficit	- 123	- 88
Other current payments	- 37	- 199
Net balance	- 238	- 1,058

2. It is clear from these figures that during 1951 the trend of the balance of payments between the franc area and foreign countries was unsatisfactory. This is true of our relations both with the dollar area (U.S. and Canadian dollars) and with the other areas.

3. It is true that as regards the dollar area, a temporary increase in revenue from exports during 1951 enabled us to raise the percentage of current expenditure covered by current receipts to 51.9% in 1951 as compared with 47.4% the previous year; nevertheless, the debit balance of our current payments vis-à-vis the dollar area increased to 523 million dollars, as against 411 million dollars in 1950.

4. Still more marked was the deterioration in the balance of current payments of the franc area with the currency areas other than the dollar area, especially with the countries belonging to the European Payments Union. With all the various currency areas, the balance of our current payments, which in 1950 showed a surplus of 173 million

dollars accounting units, showed a deficit of 535 million dollars accounting units in 1951. Taking merely the currency areas represented by the countries members of the European Payments Union, the balance which in 1950 was 191 millions on the credit side had by 1951 become a deficit of 522 millions. It is the size of this deficit which is the main cause of the increase in France's aggregate deficit for 1951.

5. The balance of France's capital operations in 1951 was obviously bound to reflect this situation. In spite of a contribution of 481 million dollars in the form of American economic aid, our gold reserves, after increasing by 90 million dollars in 1950, fell in 1951 by 67 millions. Our foreign exchange holdings which in 1950 had increased by 67 millions, showed a drop of 158 millions in 1951. A credit balance of 110 million dollars in our bilateral payments agreements during 1950 was followed in 1951 by a trend in the opposite direction, to the tune of 29 million dollars. At the same time, in the European Payments Union, a credit of 144 million dollars in our favour, with a cumulative credit position of 184 millions accounting units (at 30 November 1950) had given way by the end of the year to a debit amounting to 113 million accounting units, with a cumulative debit position of 115 million accounting units (at 30 November 1951).

6. Obviously, of course, as the data furnished by the 1951 balance of payments are based on the arbitrary division necessitated by the publication of the statistical returns at regular intervals, they are only an imperfect reflection of the real trend of our financial relations with other countries during the year. They give a picture of the situation averaged out over the year, but they do not bring out the trend apparent during the later months, showing the following deficits in current payments during the second half of the year:

- all currencies, 804 million dollars accounting units, or 1,608 millions a year, a rate approximating to that of 1947 and 1948;
- with the dollar area, 345 million dollars, or a rate of 690 million dollars a year.

7. It is quite clear that during the latter part of the year, psychological factors played an important part in the way things developed. The misgivings apparent in certain quarters as to the chances of a modification in the exchange rates undoubtedly had their usual effect, which as a rule means that as far as exchange control allows, there is a slowing-up of incoming and an acceleration of outgoing foreign exchange, and more particularly an increase in the banks' deposits with their foreign agents, consisting mostly of foreign exchange awaiting repatriation, or other exchange purchased

to cover future payments already authorized.

8. Whatever the more or less temporary effect of these factors may have been, the fundamental causes of the worsening of the French balance-of-payments situation in 1951 are to be sought in the gradual deterioration of France's trade balance. The financial returns tally with those of the customs statistics as evidence of this fact (see Table 1).

9. The customs figures showing exports and import tonnage also point in the same direction (see Table 2).

10. Both sets of figures demonstrate quite clearly that, while immediately after hostilities broke out in Korea, French exports to foreign countries rocketed, the upward tendency ceased subsequently and there was even a slight falling off; at the same time the volume and value of imports increased considerably.

11. This same trend, a growing disequilibrium in trade, grew still worse early in 1952 and became the chief cause of France's foreign payments difficulties during the first few months of this year.

TABLE I

	<u>First half</u> <u>of 1950</u>	<u>Second half</u> <u>of 1950</u>	<u>First half</u> <u>of 1951</u>	<u>Second half</u> <u>of 1951</u>
	(in millions of dollars accounting units)			
<u>A - Imports into metropolitan</u>				
<u>France from foreign countries</u>				
- Customs statistics (CIF value)	1,169	1,095	1,720	1,918
- Balance of payments (FOB payment)	958	1,000	1,474	1,793
<u>B - Exports from metropolitan</u>				
<u>France to foreign countries</u>				
- Customs statistics (FOB value)	856	1,103	1,396	1,271
- Balance of payments (FOB payment)	813	1,067	1,304	1,192

TABLE II

	(in millions of tons)			
<u>A - Imports into metropolitan</u>				
<u>France from foreign countries</u>				
	17,796	15,804	18,836	23,913
<u>B - Exports from metropolitan</u>				
<u>France to foreign countries</u>				
	12,479	16,321	17,069	16,514

B - First Half of 1952

12. There are no statistics yet available showing the balance of payments for this period. However, the aggregate movements of French gold and currency holdings, and the situation of France in respect of the European Payments Union and of its bilateral payments agreements are sufficiently clear for the general trend to be discernible even without knowing the details of operations.

13. During the first three months of the year, the trend was merely a continuation in an accentuated form of that during the last few months of 1951. Thus, France's net cumulative position in the European Payments Union, after showing a debit of 197 million accounting units at 31 December 1951, rose to:

- 300 million accounting units debit by the end of January
- 429 million accounting units debit by the end of February
- 458 million accounting units debit by the end of March

14. Simultaneously the trade balance of metropolitan France developed as follows:

(In millions of dollars accounting units)

	<u>Imports</u> CIF	<u>Exports</u>
January 1952	357	193
February 1952	423	201
March 1952	318	188

15. This steady deterioration of the position called for vigorous measures of reform. That is to say the French Government had to supplement the effect of its general economic and financial policy in this direction by specific measures and decided first of all to cut down imports drastically, and to that end, to hold up for the time being, the liberal exchange measures decided upon in the OEEC, and secondly to tighten up a little the exchange control provisions.

16. Tangible evidence of the effect of these various measures was soon forthcoming.

During the second quarter of 1952, France's accounting position was stabilized in the European Payments Union, the net cumulative deficits amounting to:

- 455 million accounting units at the end of April
- 456 million accounting units at the end of May
- 434 million accounting units at the end of June (1)

17. France's position also improved slightly in regard to the other areas, while the trade deficit of metropolitan France with foreign countries ceased to increase.

(in millions of dollars accounting units)

	<u>Imports</u> CIF	<u>Exports</u>
April 1952	328	192
May 1952	279	191
June 1952	311	199

18. However, during the third quarter of 1952, in spite of the restrictive measures taken by the French Government, France's deficit vis-à-vis the European Payments Union rose as follows:

July	2.5 million dollars accounting units
August	23 ⁽²⁾ million dollars accounting units
September	55 ⁽²⁾ million dollars accounting units

19. The corresponding cumulative accounting situation is as follows:

July	398.1
August	421.3 ⁽³⁾
September	476

20. The cumulative position of France in the EPU during the past eighteen months may be summarized as follows (in millions of EPU units):

<u>End of</u>	<u>Balance</u>
March 1951	Cr. 270.8
March 1952	Dr. 445.1
September 1952	Dr. 476.0

The deficit during the year ending 31 March 1952 therefore amounted to 715.9 million EPU units, and that during the eighteen months ending 30 September 1952 was 746.8 million EPU units.

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- (1) Before including the credit of 25 million accounting units from Belgium to France.
 - (2) Provisional figure - including an item of approximately 23 million dollars accounting units representing repayment of a loan contracted earlier.
 - (3) Note that France's quota to the European Payments Union is 520 million accounting units.