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FRENCH ECONOMIC MEASURES

Statement by Mr. Jean Chapelle, Head of the French Delegation
on Thursday, 28 November 1968

A few months ago I had the honour to inform you of the situation of the French economy following the crisis last May and June, and of the recovery effort undertaken at that time to remedy the effects of the crisis. I tried to show that this recovery effort, based on fundamentally sound conditions in France's economic structures, and comprising both long-term measures and temporary emergency provisions, particularly with respect to external trade, had every chance of succeeding.

At that time, although the French Government was incurring a very substantial increase in its budgetary expenditure and in the production costs of industry, it deliberately chose to take the path of expansion, price stability, employment, and external trade development. This difficult but resolute policy has already borne fruit, as confirmed just recently by favourable results in most economic sectors, and in particular with respect to gross domestic product which is recovering fast, price and employment levels, and external trade. Thanks to France's own efforts and also, I should like to make a point of saying here, thanks to the sympathy with which it was surrounded at that time, our country could therefore reasonably look forward to recapturing its growth rate within a short time.

This prospect seemed to be materializing, so much so that as regards in particular the emergency measures introduced for external trade, the French Government had scrupulously applied its programme for reducing or eliminating those measures as scheduled.

In the course of this recovery, we were hard hit by the monetary crisis, which came about as you know. In itself, this crisis did not come as a surprise to us: indeed we have always been fully aware of the inadequacies of the international monetary system. Be that as it may, the monetary factors, most of which were beyond our control, found sustenance in certain provisions of our recovery plan and made this crisis the more acute.

The French Government has faced up to it by maintaining the parity of the franc and by deciding on vigorous action to restore a sound situation. In this way the consequences that would have been dangerous both for France and for its partners have been avoided, as have weak and expedient solutions, and the means of pursuing our economic recovery have been safeguarded.

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This action, details of which the French Government has now spelt out, can be summed up under three headings: defence of the national currency, restoration of equilibrium, continuing expansion.

Having regard to the risks of speculation, an immediate step was urgently needed to defend the national currency: the reintroduction of strict exchange controls.

With a view to restoring equilibrium, even before the crisis came to an end measures had already been taken to tighten credit, including an increase in bank rate. To this has now been added a particularly stringent effort to compress budgetary expenditure. The budget deficit is being reduced by one half by means of cuts under all headings, including defence, and by additional revenue. There is to be a close watch on prices, together with a wage restraint. At the same time, charges on undertakings which had already been greatly increased since May and were expected to increase further in the coming months, will be eased by the abolition of the wages tax; this abolition is more than offset by an increase in the tax on value added which affects consumption. This is expected to act as an incentive on export expansion which is necessary for improving the balance of payments.

Last but not least, while ensuring the return to equilibrium, the French Government intends to safeguard economic expansion which is a prerequisite for recovery. The tax measures I have just mentioned should contribute to this in general, and in particular through expansion of exports which fortunately account for a substantial part of the turnover of our undertakings.

Such is the programme of austerity and self-restraint that France has now adopted in order to overcome the effects of the crisis and to ensure economic recovery. In its efforts, it is assured of substantial assistance from friendly nations, whose spirit of co-operation and solidarity it appreciates.

The French Government, for its part, has been careful in these measures to safeguard trade liberalization and to this end to respect the commitments which it has undertaken, in particular in the context of the General Agreement. The measures just taken, in particular the internal tax measures designed to lighten the charges on undertakings, are not in any way discriminatory and do not comprise any new restrictions. Despite the difficulties which it is at present experiencing, France thus intends to maintain its policy of competition, expansion of trade, and international co-operation.