SOUTH AFRICA TO ABANDON DISCRIMINATORY IMPORT RESTRICTIONS: STATEMENT BY LEADER OF SOUTH AFRICAN DELEGATION

The following statement was made at a plenary meeting of the Contracting Parties by Dr. P.R. Botha, leader of the South African delegation:

"I very highly appreciate this opportunity to convey to the Contracting Parties an important decision which has been taken by the government of the Union of South Africa regarding the future application of South Africa's import restrictions which are being maintained for balance-of-payments reasons.

In this connection, I have been authorised to make the following statement on behalf of my government:

Since the introduction of their balance of payments import restrictions in 1948 the government of the Union of South Africa have taken steps to ensure that the United Kingdom will acquire for the benefit of the central reserves of the sterling area a substantial part of South Africa's gold production. Details of the action thus taken were communicated to the Contracting Parties in the various memoranda submitted by the South African government during the past five years.

These measures which were taken because of South Africa's close commercial, financial and strategic connections with the United Kingdom and also because of its interest in the restoration of sterling as a sound international currency, involved a degree of discrimination against imports from dollar sources.

The practical effect of discrimination is, of course, that importers are compelled to purchase goods at a higher price from those countries in respect of which import permits are issued on a more liberal basis. In the nature of things, import control itself has the effect of distorting the economy and raising the cost structure of the country applying restrictions on imports.

However, since it appears that South Africa, despite new taxation and other measures recently introduced to relieve pressures on its monetary reserves, will be unable to abolish its import restrictions in the immediate future, the government of the Union of South Africa feel that they should meanwhile endeavour to relieve the disturbing effects on the country's economy of discrimination in the application of import control.

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The South African government have, therefore, decided to abolish discrimination in the application of import restrictions as from the beginning of next year and an announcement to this effect was made by the South African Minister of Finance in Pretoria on Friday afternoon, 16 October. This means that as from the beginning of next year only one type of import permit, which will be valid for purchases from any country in the world, will be issued by the South African government.

The South African government's decision to abolish discrimination has been made possible by recent considerable improvements in the competitive position of the United Kingdom and the Western European exporters supplying goods to the South African market. Since, however, it is still necessary to continue to strengthen the central reserves of the sterling area, the South African government have decided to renew the existing arrangements under which a minimum of four million ounces of gold, valued at approximately £50,000,000 are to be sold to the United Kingdom in each calendar year.

The South African government hope that, as a result of the improved competitive position of the British and the Continental exporters, the renewal of the arrangements referred to will not in the absence of discrimination result in substantial drawings on South Africa's gold and dollar reserves. However, they attach so much importance to reducing the country's cost structure, by allowing South African importers to buy in the cheapest markets, that they feel convinced it is in South Africa's interest to face this risk, rather than to continue discrimination.

It is desired to emphasize, however, that South Africa cannot entirely escape the consequences of developments in other parts of the world, particularly in the countries with which it maintains close commercial and financial ties; in other words, the South African government's own attitude towards discrimination must in the long run be influenced by the policies followed by South Africa's most important trading partners. For this reason, South Africa regards it as absolutely essential that there shall be the fullest cooperation between creditor and debtor countries to create the conditions necessary for the re-establishment of multilateral trade on a worldwide basis.

Unless both creditor and debtor countries are prepared to adjust their policies so as to enable them to make the fullest possible contribution to the speedy attainment of this objective, there is a serious danger that instead of reverting to a truly multilateral system the Western World will be permanently split into two separate monetary and trading areas.

As an ardent believer in the benefits of convertibility and multilateral trade, South Africa cannot view this possibility with equanimity. The South African government accordingly hope that their trading partners in the Western world and particularly the United States of America, which as the principal creditor country is able to exercise such profound influence on international economic conditions, will be prepared to make the necessary
adjustments to their policies so as to avert this danger. In this manner
the countries concerned will enable South Africa also to avoid having to
retrace the steps it is now taking to abolish discrimination in the application
of its import restrictions."

Mr. Claude Isbister, Canada, said that the Canadian delegation had taken
careful note of the important decision which had been announced by the South
African government. They regarded this announcement as a constructive mile­
stone in the life of the GATT. In deciding to abolish discrimination in the
application of import restrictions, the South African government was fulfilling,
not only the letter, but the spirit of its undertakings as a member of GATT.
Mr. Isbister said that his delegation was pleased that South Africa had now
decided to turn away from discrimination in its import control system towards
a more liberal regime and was confident that this would strengthen the South
African economy and facilitate the eventual abandonment of all restrictions.
The Canadian delegation, he said, had taken careful note, in particular, of two
of the reasons stated by the government of South Africa for undertaking this
new policy. First, the South African government intends to enable its importers
to obtain the best goods at the cheapest prices wherever they are available,
thus correcting distortions which have been introduced into the economy by
discriminatory import controls. Secondly, the South African government is
taking this step as a contribution to the eventual attainment of convertibility
and multilateral trade, thus helping to overcome the danger of the world being
divided into trading blocs. At this time, he said, when other countries in the
world were studying their financial and economic policies to determine their
future course, it was hoped that careful attention would be paid to these
courageous and constructive measures now being undertaken by the South African
government.

Mr. Winthrop Brown, United States, warmly welcomed the statement by the
representative of the Union of South Africa. It was, he said, most happy and
encouraging news that South Africa was able to eliminate the element of dis­
crimination in its system of import licensing. This action was further concrete
evidence of the general improvement in the world balance-of-payments situation
noted in the opening debate of the Session and gave hope and encouragement for
the future. The United States delegation was pleased on account of the reasons
for the action taken, particularly for the judgement that it was wise to enable
the South African people to buy their products where they could be most cheaply
obtained. They were also pleased to note that the improved competitive position
of Western Europe and the United Kingdom had contributed to the decision of the
government of South Africa. Mr. Winthrop Brown said he was confident that the
future experience of South Africa would show that the decision had been sound.
It would be evidence, he said, for other countries that the elimination of
discrimination would have a good effect on their economies.