Contracting Parties
Third Session

SUMMARY RECORD OF SPECIAL MEETING
Held at Annecy on Thursday,
12 May 1949 at 2:30 p.m.

Chairman: Mr. WILGRESS (Canada)

Subjects discussed:


The CHAIRMAN explained the need for the utmost secrecy, in accordance with paragraph 4 (a) of Article XII of the General Agreement, in view of the fact that details of the new import restrictions scheme contemplated by South Africa would not be published until 15 May.


Mr. PERRY (Canada) (Chairman of Working Party 3) introduced the Working Party's Report with a brief explanation.

Mr. JOHNSON (New Zealand) proposed adding in paragraph 16, the second sentence, the words "for that purpose" so that the sentence would read: "The Working Party also agreed that, with a view to avoiding an uneconomic expansion of output, it would be desirable to discourage domestic producers from taking advantage, for that purpose, of emergency measures of that nature." Mr. Johnson, while in agreement with what he believed to be the intention of this sentence felt
that without the addition of these words the sentence might be open to the interpretation that it would be desirable to discourage domestic producers from taking advantage of such emergency measures even for an economic expansion of output.

Mr. PERRY (Canada) (Chairman of Working Party 3) explained that this point had been discussed extensively in the Working Party. Although the South African representative had made it clear that his Government did not intend to encourage uneconomic expansion of output by such emergency measures, the Working Party had decided to insert this sentence since uneconomic production could be regarded as an impairment of benefits accruing to other contracting parties. It was introduced in this form because Article XII imposes no specific obligation in this respect and an obligation to avoid uneconomic production would therefore be merely inferential.

The addition proposed by the representative of New Zealand was agreed.

The CONTRACTING PARTIES noted the Interim Report of Working Party 3 (dated 11 May 1949) and agreed that it should be distributed as a restricted document.


Mr. PERRY (Canada) (Chairman of Working Party 3) introduced the Report with a brief explanation.

Mr. WILLOUGHBY (United States), prior to expressing the views of his delegation on this Report, noted that the Contracting Parties were engaged in consultation under Article XII 4 (a) which does not require prior approval or even prior consultation. Accordingly, he did not consider that any delegation would be bound by any views
expressed in this meeting and would be free to take any action which might seem desirable at a later stage.

Mr. WILLOUGHBY made the following procedural points:

1. He expressed appreciation of South Africa's willingness to enter into prior consultation. He regarded this as a helpful precedent, in view of the importance of prior consultation which he would like to see continued and developed.

2. He felt that great importance should be attached in this connection to Annex J and Article XIV.

3. He hoped that the South African Government would be able to make available soon full information regarding its contemplated import restrictions scheme. Without such information he felt that the Contracting Parties could not do much more than had the Working Party, i.e., register preliminary views on the basis of the available information.

4. His delegation was agreeable to the Working Party's suggestion that this prior consultation be a continuous process, becoming post consultation after the publication by South Africa of details of its scheme. In addition to fuller details from South Africa, he hoped that the Contracting Parties might also have the benefit of any information which the International Monetary Fund had on this problem.

Mr. WILLOUGHBY made the following substantive comments:

1. He did not question South Africa's need to impose or even intensify import restrictions but it was of considerable concern to his delegation to know (a) whether or to what extent discrimination would be involved in South Africa's contemplated scheme, and (b) if so, how consistent the scheme would be with the General Agreement.

2. On the basis of the inadequate information now available, it was not clear to him what basis there was for discrimination at the
present time. According to his figures, South Africa's reserves of non-sterling currency had remained on much the same level throughout the last year except for some decline during the last month or so; on the other hand, South Africa's reserves of sterling had declined substantially, the present level not being much more than the amount remaining from the gold loan. In view of the above, it was difficult for him to see how South Africa had found it necessary to impose restrictions which seemed to bear more heavily on dollars than on soft currencies. However, if information were later made available which seemed to justify such discrimination, the United States would attach considerable importance to South Africa's conforming closely to paragraph 1 (a) of Annex J.

Mr. Cassiers (Belgium) noted that the South African representative in his statement, annexed to the Report, had assured the Working Party that his Government would give sympathetic consideration to any representations made by the Contracting Parties during further consultation. However, he noted that paragraph 6 of the Report referred to the conclusion of such further consultation within one week from the time details of the new scheme were communicated to the Contracting Parties. He expressed the hope that this was not a deadline. It was difficult to comment on the contemplated scheme without more information, and although he would do all he could to expedite his Government's consideration of the scheme, it might not be possible to observe such a deadline. This would be particularly important if South Africa, having taken account of any representations made, in accordance with its assurances, wished to modify its contemplated scheme, at least with respect to the implementation of specific rules.
Dr. NORVAL (South Africa) in reply to the United States delegate's remarks, stated that the position as between non-sterling and sterling currencies at the time South Africa instituted emergency measures in November 1948 was such that the South African Government was definitely entitled to act as it did. Dr. Norval outlined South Africa's position as follows:

Under the import restrictions imposed in November 1948, South African importers were granted for the period July 1, 1948 to June 30, 1949 certain basic exchange quotas, amounting to fifty per cent of the non-sterling exchange drawn by each such importer during the base year 1947. No similar restrictions had been imposed on sterling.

**Basic Exchange quotas (non-sterling).**
July 1, 1948 to June 30, 1949 ................... £74,500,000 *

South African importers could apply for supplementary exchange quotas if the basic quotas granted them were inadequate to cover their requirements for the purchase of essential machinery, equipment and new materials.

**Supplementary non-sterling quotas (same period)... £67,500,000**

Total £142,000,000

The preceding total does not include imports from non-sterling area during the same period as follows:

- **Petrol**
- **Government stores**

Grand Total £167,000,000 **

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* Figures are in £ SA.

** C.I.F. values.
Non-sterling expenditures during
July, August, September, 1948
(i.e., just prior to the imposition of
emergency measures) - £ 82,000,000
or at an annual rate of ...........................................£ 246,000,000
Non-sterling exchange quotas and non-sterling
expenditure for petrol and government stores
July 1, 1948 - June 30, 1949 - .....................................£ 167,000,000
Potential saving under exchange control (same period).....£ 79,000,000
Invisible imports (from non-sterling area)....................£ 15,000,000
Non-sterling exchange quotas and non-sterling
expenditure on petrol and government stores....................£ 167,000,000
Current non-sterling expenditure (annual rate of) Total....£ 182,000,000
Non-sterling income (visible and invisible exports to
non-sterling countries) ...........................................£ 64,000,000
Deficit ..........................................................£ 118,000,000
Total South African gold production ...........................£ 100,000,000
Final Deficit......................................................£ 18,000,000
This latter deficit could be met only by the use of
gold reserves.
In addition to bank allocations there were prior
purchases for which exchange had already been
committed which had to be met as well.
Sterling balances (at time of imposition of
restrictions) .........................................................£ 52,000,000
Gold loan to the United Kingdom ................................£ 80,000,000
Total ..............................................................£ 132,000,000
South Africa's sterling position on April 22, 1949,
was as follows:
Sterling balances ..................................................£ 6,713,000
Undrawn balance of Gold Loan to United Kingdom ..........£ 60,000,000
Total ..............................................................£ 66,713,000
South Africa's dollar position at that date
was as follows:
United States dollars .............................................£ 1,949,000
Canadian dollars ..................................................£ 126,000
Total ..............................................................£ 2,075,000
Dr. Norval concluded that, on the basis of these figures, it could be seen that South Africa's sterling position as compared with the non-sterling position was still sufficiently more favourable to justify the introduction of discriminatory import restrictions.

With respect to the point raised by the representative of Belgium, Dr. Norval stated that the period of one week for further consultation, which had been proposed by the South African Delegation, did not represent a deadline. If it were not possible for the Belgian delegation to complete its consultation within this period, he was sure that his Government would take this into account.

Dr. Norval expressed his appreciation, on behalf of the South African Government, to the Contracting Parties and the Working Party for the arrangements made to preserve secrecy during this consultation, and, in particular, for the efficient manner in which the Working Party's deliberation had been guided by its Chairman, and indicated that he would communicate to his Government the views expressed.

Mr. VAN BLANKENSTEIN (Netherlands) asked whether the contents of the Report under discussion could now be communicated to his Government.

The CHAIRMAN ruled that there was no objection to delegates sending the information contained in this Report to their governments by code or cipher, provided it was made clear that such information was highly secret and not to be divulged except to a limited number of persons within the government prior to date of publication. So far as Annecy was concerned, the information contained in this Report was strictly secret and not to be divulged to persons outside of delegations.

The Contracting Parties agreed to note the Interim Report of Working Party 3 on Import Restrictions to be Introduced by the Union of South Africa on 1 July 1949 (dated 12 May 1949), and to await further
information from South Africa which would be referred when available directly to Working Party 3. The Working Party would be convened by its Chairman in consultation with interested parties. When the Working Party had completed its work, the Contracting Parties would reconvene at the Chairman's discretion, approximately within a week's time. It was agreed further that when fuller information was received from the South African delegation, it would be made available to all contracting parties in the form of a conference document since the same need for utmost secrecy would no longer apply after publication date.