GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
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Working Party on
Rhodesia and Nyasaland/South Africa Trade Relations

Statement by the representative of the Federation of
Rhodesia and Nyasaland, made on 4 November 1959

We are dealing, as you know, with the position which has arisen from
the present agreement in regard to the two principles which were enunciated
in the meeting of the CONTRACTING PARTIES. As you are aware, these principles
involve special preferential treatment by the Union of South Africa of
Federal products. To that extent the application is in the first place
directly the concern of the Union of South Africa, but since it affects
the products from the Federation, the matter is one of the utmost importance
to us. The Federation is, as you are aware, one of the lesser-developed
countries, and we have recently heard during the Ministerial Conference,
expressions by the representatives of practically every contracting party
to the effect that some means must be found to assist the lesser-developed
countries in diversifying their economy and thus stabilizing it. Now it
is no doubt true to say that the Union of South Africa is also a lesser-
developed country since this qualification is one of degree. But it is
fairly obvious to everybody that the Union of South Africa is more developed
than the Federation, particularly in the matter of secondary industry.

Mr. Chairman, most of my statement will be devoted to the purely
practical issues. From the Federation's point of view, present outlets
for employment are mainly in agriculture and mining; secondary industry
and commerce are absorbing their share of the employment offering and they
are gradually increasing annually the numbers employed in this side of the
economic life. However, the population is growing very rapidly, at the
rate of some 250,000, and it has been estimated that some 100,000 persons
have to be found employment in commerce or industry or a means of livelihood
from the land in each year. There are, naturally, limits to the employment
which can be found in agriculture and in mining. It would only be by means
of a steady increase in the secondary industry, together with its attendant
increase in the commercial life, that full employment can continue to be
found for our population.

The Representative of the Union of South Africa has looked briefly at the
history of previous agreements between the Federation and the Union of South
Africa; I would point out only that originally the Union of South Africa
used to provide a market only for our primary products. More recently we
attempted to operate an agreement which was designed to end in a customs
union. One of the main reasons for the breakdown of that arrangement was
the sharp difference which existed in the state of industrial development
in the two territories. As we have attempted to industrialize and move
from being a purely primary producer, the Federation has come to expect
exports of manufactured goods to the Union of South Africa.
Mr. Chairman, perhaps I should clarify for the Working Party the picture in regard to the market for manufactured goods in my country. We have a total population of over seven million people, but the vast majority of these people have not assimilated a desire completely for a full range of European type goods. The purchasing power of the African section of the community is increasing steadily and minimum wage arrangements, together with the increased product of cash crops by African farmers, are ensuring a steady increase in their purchasing power. The market for a full range of goods, even so because of what I said about consumer taste, is a restricted one, and is in no way comparable with the market which exists in many other countries with the same size population. With the small market existing it would be difficult to encourage sufficient secondary industry development without the offer of direct incentives by the Government such as a fully protected market. As a general policy, my Government has never adopted a policy of protection. I have only to point out the low rates of duty which exist for the importation of most manufactured goods into the Federation, in spite of the fact that we have established local industry in some types. In certain types of goods it would be impossible economically on the size of the market to establish a factory unless opportunities existed for the export of at least some of the output of the factory. Let me remind the Working Party that the Federation has no sea border, it is completely landlocked, and because of transport costs the competitive position of our infant industries is far from strong where sea transport has to be used. We have opportunities to export to the territories to the north of us in Africa, and we do export to these countries in an increasing volume each year. Normally all of these territories fall within the Congo Basin area and it is not possible, therefore, for us to make any form of trading arrangement with these countries. We have to compete in these countries on conditions of complete equality with the manufacturing countries from overseas. By tradition for over sixty years, the Federation has operated special trading arrangements with the Union of South Africa and the present agreement was designed to enable us to partake not only in respect of primary products but also manufactured goods in the South African market on the same conditions that South African factories participate in their own market. It should be obvious that a country such as mine, which is just starting to develop its infant industries, would find it extremely difficult, if not impossible, to participate in the South African market under any conditions less advantageous than those of the Union's own factories. Many of their factories are making branded goods which have been known to their public for many years. Our factories will be making goods unknown in the Union market and any dis-incentives such as difficulties over import control or customs duties would make the hurdle almost impossible to take for our factories. The principles which are for consideration by the Working Party are in respect of a one way trade, in other words, special advantages were established for Federal manufactured goods going down to the Union of South Africa, but not in the reverse direction. Moreover the agreements
which have existed between the two countries have normally been of fixed and fairly short term duration. Should the principle be established that Federal manufactured goods could be exported to the Union of South Africa under terms of special advantages, it is impossible for anyone to believe that during such short term agreements secondary industry can establish itself in the Federation at such a rate as to injure largely the interests of other countries supplying the Union market. From a practical point, there should be little to fear by other industrialized countries as to the effect on their markets in the Union of such an arrangement, but the opportunities which would be afforded secondary industries to establish themselves in the Federation would be extremely valuable to our development. As I have stated earlier, the increase in purchasing power of the African population, plus the Europeanizing of their consumer tastes, will create eventually a sufficiently large market in the Federation, but you will realise that in order to increase the purchasing power it is necessary to diversify the economy, and the thing becomes like the old story of which comes first, the chicken or the egg.