11. Members of the Committee noted that the present balance-of-payments difficulties of South Africa and the decline in its gold and foreign exchange reserves were mainly due to a net out-flow of private capital since, even with the worsened trade balance, there remained a net current account surplus of R 30 million in 1960. Invited to comment on the prospects for a reversal of this situation, the representative of South Africa considered that the rate of the out-flow of private capital had climbed to a point where it could be expected to stabilise and gradually to revert to the traditional net inflow. In any case, the net loss of reserves on capital account could not continue indefinitely. Certain members of the Committee stressed the very special situation in which the Union of South Africa was placed. In spite of the positive balance on current account, South Africa was applying restrictions in the trade field in order to prevent exchange reserves from falling further. This fall was due entirely to movements in the capital sector. These members of the Committee enquired whether the South African authorities had considered the possibility of redressing the situation through measures which were directly related to capital transactions rather than through the restriction of imports. The South African representative stated that in so far as South African nationals were concerned capital transfers were controlled; however, there were no restrictions on capital movements by non-residents. He went on to state that the recent net out-flow of private capital was regarded as a transient short-term problem, that the traditional policy of his Government was always to welcome foreign capital and that it would be detrimental to the country's position as an attractive field for foreign investment if any attempt were made to curb the free flow of foreign capital into or out of the country. Whether the decline in reserves was caused by capital movements or by unfavourable trends on current account, the Union of South Africa considered that the appropriate course to follow at present was to continue its cautious policy in maintaining the import restrictions.