

16 November 1955

DRAFT REPORT

10. /The delegation of the Union of South Africa drew the attention of the Sub-Group to the statement of their Government relating to the traditional customs relations which existed between South Africa and the major constituent territories of the Federation, namely Southern Rhodesia and the non-conventional part of Northern Rhodesia, up to 30 June 1955, reproduced in the last five paragraphs of document L/381. Briefly, the position is that since 1905 the non-conventional area of Northern Rhodesia enjoyed free entry into South Africa for very nearly all products (and substantial preferences on the few exceptions). This was the case on 1 July 1938, the base date for South Africa in Annex G of the General Agreement, because the 1930 Agreement between South Africa and Northern Rhodesia remained in force until it was superseded by the Agreement between South Africa and the Federation on 1 July 1955. Southern Rhodesia similarly enjoyed free entry into South Africa, with relatively minor exceptions, from 1903 until 1935 when a new agreement between South Africa and Southern Rhodesia was concluded in terms of which South Africa granted to Southern Rhodesia general preferential rates equal to the rates applicable to similar goods from the United Kingdom less 20 per cent practically over the whole range of the South African Tariff. This was the position on 1 July 1938, (South Africa's base date), but in 1949 the 1935 Agreement was replaced by the Customs Union (Interim) Agreement between South Africa and Southern Rhodesia which the two countries were authorized to apply under the General Agreement (see Declaration of 18 May 1949). In terms of this Interim Agreement South Africa accorded free entry to all Southern Rhodesian products, with very few exceptions on which substantial preferences were however also granted.7

11. /The delegation of South Africa stressed that the whole of the Federation now enjoys preferences in South Africa only on some 140 items and sub-items, or portions thereof, in the South African Tariff, which comprises more than 1,000 items and sub-items over the whole range of which both Southern Rhodesia and the non-conventional area of Northern Rhodesia previously enjoyed preferential treatment both on the base date, 1 July 1938, as well as on 30 June 1955. In other words, on more than 800 items and sub-items the preferences have been eliminated. This confirms the considered opinion of the Government of the Union of South Africa that the preferences at present accorded by South Africa under the Trade Agreement between the two countries do not, on the whole, exceed the preferences in favour of Southern and Northern Rhodesia for the maintenance of which provision is made in Annex A of the General Agreement.7

12. The Sub-Group then examined with the aid of the South African delegation the changes that had taken place in the margins of preference accorded by South Africa under the Trade Agreement of 1955, as compared with the margins that were accorded by South Africa to the constituent territories of the Federation respectively on 1 July 1938, (South Africa's base date) and on 30 June 1955. This task was facilitated by the fact that on the base date, as well as on 30 June 1955, the non-conventional area of Northern Rhodesia enjoyed free entry into South Africa for nearly all products and that on the latter date Southern Rhodesia enjoyed similar treatment while the conventional area of the Federation received no preferences on 1 July 1938, nor on 30 June 1955. It was considered that it would

have been desirable to obtain an accurate picture of the number and importance of changes in preferences in relation to the entire tariff. The Sub-Group noted that for the reasons set out in Annex III the South African delegation were unable to calculate the percentage of imports from the Federation which now enjoy preferences compared with the percentages of imports from Northern and Southern Rhodesia which previously enjoyed such treatment. It also appeared, as in the case of the Federation tariff,<sup>1</sup> that a complete analysis of the entire tariff, after taking into account the new Trade Agreement, would be a very lengthy task and one that might not justify the time and effort involved. As a first step, therefore, they decided to examine a single class of the tariff, in the same manner and with the same qualifications as the examination was made of the Federation tariff (see paragraph 5), and chose for this purpose Class X, wood and wood products, T.N. 262 to 280. This comparison showed that in nineteen out of fifty-four sub-items the preferential margin has not been changed; in twenty-nine cases it has been removed; and in six cases<sup>1</sup> the preferential margin has been increased on a part of the sub-items affected (ex T.N. 265(b), 272(b), 273(b), 279(a)(ii), (b) and (c)). Five of the six instances represent increases, compared with Southern Rhodesia and the conventional area and one, compared with the conventional area only on the base date, 1 July 1938. Compared with the treatment accorded to Southern Rhodesia under the Customs Union (Interim) Agreement, in force till June 1955, these represent no increases.<sup>1</sup>

13. Although it had not appeared feasible to make a similar comparison for the entire tariff, the Sub-Group decided that a similar comparison should be made with respect to items in which other contracting parties had a special interest. For this purpose they used those items that appear in South Africa's consolidated Schedule as printed after the Torquay negotiations. They did not attempt to take into account changes which had taken place since that time in South Africa's Schedule. They were aided in this task by the fact that the Trade Agreement with the Federation includes two Annexures (A and B), which list all of the items (other than leaf tobacco on which preference remains unchanged) on which any preference is now accorded by South Africa to the Federation so that on no other product could the Trade Agreement have led to an increase of a preference. The result of this examination is presented in Annex II to this report. As in the case of the examination of the Federation tariff, the Sub-Group again decided for the reason stated in paragraph 6, that an indication of the degree of change in each case would be inconclusive.

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<sup>1</sup>Incidentally all but one of these cases (T.N. 279(c)) are also covered by the excise referred to in paragraph 12 and therefore appear in Annex II.<sup>1</sup>

14. The Sub-Group also noted a special difficulty in obtaining an accurate impression of the changes in preferences for those products listed in Annexure A. This Annexure, which applies to agricultural products, lists the products on which each partner to the Agreement agrees to grant free tariff treatment to the products of the other at times when any import licences are granted.. The normal movement of trade for most products in this list is from South Africa to the Federation and only a comparatively few of them involve actual imports into South Africa. In some cases, the Federation has no exports of the commodities concerned (such as wheat and wheat flour) and in other cases exports to South Africa are either negligible or occur only rarely. The interpretation of Annexure A is further complicated by the fact that imports of the commodities concerned are quantitatively controlled, and the Federation receives the benefit of the preference only when imports are permitted.

15. In so far as the non-conventional area of the Federation is concerned, the attached table shows that, of forty-four sub-items, in twelve instances the preferential margins have been decreased for those parts of the Federation which enjoyed preferences, and have been removed in eight instances. In no instance (with the possible exception of T.N. 69(f)(i) - see Annex IV) has the preferential margin been increased in respect of both territories. In twenty-four cases a preferential margin has been increased as compared with the treatment accorded to Southern Rhodesia on the base date, 1 July 1938, but compared with the treatment accorded to Southern Rhodesia under the Customs Union (Interim) Agreement in force till June 1955. These represent no increases. In nine of these cases the margin previously accorded to the non-conventional area of Northern Rhodesia has been reduced and in fifteen cases maintained.

16. For all items where South Africa imposes any duty at all in the m.f.n. column of its tariff, the inclusion of such items in Annexures A or B of the new Agreement has resulted in a new preference for such products originating in the conventional area of the Federation. Under the new customs arrangements for the Federation there will of course be no distinction as between products of different parts of the Federation and it would no longer therefore have been practicable for South Africa to limit the application of the agreement to one or other part of the Federation. The Sub-Group noted, however, that the non-conventional area's total exports to the Union were in any case negligible.

17. Like the delegation of the Federation, the delegation of the Union of South Africa underlined, for reason similar to those set out in paragraph 9, the limits of any comparison based on samples and declared his willingness to give any explanation to any interested contracting party asking for additional information.

### III. Preferential margins on imports from the Federation into Australia

18. The Sub-Group then examined the 1955 Trade Agreement between Australia and the Federation. The representative of Australia stated that on the base date for its preferences Australia granted a preference to Southern Rhodesia on tobacco leaf, and to Northern Rhodesia on some fifty odd tariff descriptions. The only preferences Australia now grants to the Federation under the

1955 Agreement are (1) on tobacco leaf the margin of preference on which, previously granted to Southern Rhodesia, has been extended without change to the Federation as a whole, and (2) on fruit juices, beeswax and essential oils the margin of preference on which, previously granted to Northern Rhodesia and Nyasaland, has been extended without change to the Federation as a whole.7

ANNEX III

NOTE BY THE DELEGATION OF THE UNION  
OF SOUTH AFRICA.

The South African delegation informed the Sub-Group that it was unfortunately not possible to calculate the percentage of South Africa's imports from the Federation now enjoying preferences compared with the percentages of the imports from Southern Rhodesia and the non-conventional area of Northern Rhodesia which had enjoyed preferences on either 1 July 1938, or on 30 June 1955. The reasons are that -

- (a) the Federation is now granted preferences on many sub-items and portions of sub-items in the South African Tariff which are not statistical items and for which consequently no separate trade figures are available;
- (b) the content requirements to qualify for preferential treatment written into the new Agreement with the Federation differ substantially from and are more restrictive than those contained in previous agreements between South Africa and the two Rhodesias.

Another point which should be borne in mind in this connexion is that the potential value of duty-free entry into the South African market which South Africa is entitled to accord to the non-conventional area of Northern Rhodesia on very nearly everything, cannot be statistically measured, but is nevertheless of considerable importance in the light of the notable economic developments which are taking place and envisaged in this part of Northern Rhodesia. Moreover, if South Africa had continued to grant free entry to the products of the non-conventional area of Northern Rhodesia, it would undoubtedly have led to the transfer of industries from elsewhere in the Federation to that part enjoying free entry into the South African market.