

GENERAL AGREEMENT ON TARIFFS AND TRADE

Contracting Parties

South African Letter

The following letter dated 12 November has been received by the Chairman of the Contracting Parties from the Department of External Affairs, Union of South Africa :

"I have the honour to inform you that the Government of the Union of South Africa have decided to impose certain restrictions on importations into South Africa in accordance with the provisions of Article XII (2)(a)(i) and XIV (1)(b) of the General Agreement on Tariffs and Trade.

2. The imposition of these restrictions has become necessary as a result of the country's continuing and increasingly high adverse balance of payments and the consequent serious decline in its monetary reserves. This decline was occasioned primarily by the following factors :

- (i) the heavy wartime arrears in machinery, equipment, essential raw materials and consumers goods;
- (ii) the Union's heavy import requirements of plant and equipment for industrial and mining purposes which are likely to remain at a high level for many years to come;
- (iii) the fact that prices of all imports have risen considerably whereas the price of gold, which plays a predominant role in the country's balance of payments, has remained unchanged since 1941 with the result that gold exports are no longer able to cover the country's normal trade deficit;
- (iv) the increasing tendency on the part of the majority of overseas countries to restrict imports of non-essentials which play an important part in the Union's export trade.

3. At various times over the past year the Government of the Union of South Africa have endeavoured by means of other measures, such as, for example, the restriction of bank credits for the importation of consumers goods, to reduce the country's expenditure overseas. As the Union's gold reserves continued to decline, however, it eventually became necessary to reduce the Reserve Bank of South Africa's statutory gold reserve from 30 per cent to 25 per cent and to deduct from the Bank's liabilities its foreign assets for the purpose of calculating the reserve ratio.

4. By these measures South Africa was able to mobilise a considerable amount of additional exchange resources which, it was hoped, would have seen the country through until the war-time arrears in its importation of consumer goods had been made good and its imports had fallen to a level which would have enabled the Union to cover its unfavourable trade balance with its current gold production plus the normal flow of capital investment to the country.
5. Unfortunately, however, the hopes of the Government of the Union of South Africa did not materialise. As the country's gold reserves have already been depleted to a dangerous level, and as the further unrestricted importation of consumer goods would gravely prejudice the Union's ability to secure its essential requirements of capital goods for developmental purposes, it has been decided to take immediate steps to protect the country's financial structure and its prospects of healthy industrial development.
6. The Government of the Union of South Africa are anxious that their import restrictions shall not disturb normal channels of trade any more than is absolutely necessary to remove the present disequilibrium in the Union's balance of payments.
7. They hope that it will be possible to avoid the introduction of an extensive system of import licensing. For the time being they have decided, therefore, to seek the necessary adjustments in the country's balance of payments by means of the following measures:-
- (i) the importation of certain types of articles (mostly luxury articles and goods produced in South Africa in sufficient quantities) is to be prohibited except under permit which will be issued only in very exceptional circumstances. This prohibition will apply to imports from all countries.
  - (ii) in the case of all other goods, exchange for imports from non-sterling sources will be rationed on the following basis: during the twelve months commencing 1st July, 1948, each importer will receive 50 per cent. of the total amount of non-sterling exchange received by him during 1947. As the Union is not short of sterling, use has been made of the provisions of Article XIV (1)(b) of the General Agreement on Tariffs and Trade to apply the exchange rationing only to currencies which cost the Union gold, i.e., all non-sterling countries;
  - (iii) applications for supplementary exchange quotas for the importation of essential capital goods, equipment and raw materials will be entertained and considered on their merits....."

