

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

SOUTH AFRICA-SOUTHERN RHODESIA CUSTOMS UNION

Note on the First Three Years of the Operation of the Interim Agreement

1. In the Declaration of 18 May 1949, giving approval to the Interim Agreement for the re-establishment of a Customs Union between the Union of South Africa and Southern Rhodesia, which entered into force on 1 April 1949, the two Governments undertook:

- (a) to furnish copies of the annual reports of the Customs Union Council;
- (b) to submit by 1 July 1952 a report on the progress achieved towards the elimination of tariffs and other restrictive regulations of commerce between their territories and towards the application of the same tariffs and other regulations of commerce to the trade of other contracting parties;
- (c) to submit, by 1 July 1954, a definite plan and schedule for the completion of the Union, and
- (d) to complete the Union not later than 1 April 1959.

2. The first three Annual Reports of the Customs Union Council - the most recent is dated May 1952 - have been distributed to the contracting parties; and the Progress Report, referred to in paragraph 1(b) above, has been issued in document G/13.

3. The Declaration of the CONTRACTING PARTIES and the provisions of Article XXIV require, during the ten-year life of the Interim agreement, that duties and restrictive regulations shall be eliminated on substantially all the trade between the two countries (or at least on substantially all the trade in products originating in the two countries) and that substantially the same duties and other regulations shall be applied by each country to the trade of other contracting parties. The present situation in respect of tariffs and trade regulations, compared with the situation at the time the Interim Agreement entered into force, is summarized in the following paragraphs.

Elimination of Duties and Restriction on Trade between the Two Countries

4. The Interim Agreement lays down the principle that goods grown, produced or manufactured in either country, are to be admitted free of customs duty into the territory of the other (Article 5), but certain exceptions are provided:

- (a) duties are maintained by South Africa on spirits, cigarettes, tobacco and vegetable oils which in 1951 amounted to about 12% of total imports from Southern Rhodesia (Article 6 and Annex B);
- (b) duties are maintained by Southern Rhodesia on imports of certain manufactured articles which in 1947 accounted for about 30% of total imports from South Africa (Article 7 and Annex C); (These duties may be increased to stipulated higher rates in order to promote the development of certain secondary industries into Southern Rhodesia, though to date no request has been made for the application of any higher rate of duty.)
- (c) the maintenance of export duties on diamonds and karakul pelts is authorized (Article 9);
- (d) the maintenance of restrictions on imports of grain and grain products, dairy products and certain meat and vegetables from either country into the other and on imports into Southern Rhodesia of motor cars assembled in the Union from parts imported from the United States and Canada (Annex D);
- (e) the application of import and export restrictions by either country is envisaged in certain circumstances, e.g. in connection with the control of essential materials (Article 12).

5. In the Interim Agreement, the two Governments undertake to make a joint study of "the measures necessary for the elimination of all tariffs and regulations restrictive of commerce between their two countries" (Article 3), and to continue negotiations "with the object of achieving the free flow of trade envisaged in this Agreement" (Article 8).

6. The Second and Third Reports of the Council comment on the maintenance of duties as provided in the Annexes to the Interim Agreement. With reference to cigarettes and tobacco (paragraph 4 (a) and (b) above), the Second Report states that "the policy of protection prevailing in both countries is deep-rooted and there seems little prospect that the two Governments will be able, at this early stage in the life of the Agreement, to agree on the removal of the duties". In its Third Report, the Council says it has nothing to add to the remarks of the year before.

7. As for the maintenance of other duties by Southern Rhodesia on the products of South African secondary industries, it is stated in the Second Report that "sufficient time has not elapsed yet for the Council to be in

a position to determine whether or not it should recommend the elimination of any item". The Council goes on to say that it is investigating this question and is endeavouring to obtain relevant statistics but "the lapse of some time is unavoidable before one can tell how the operation of the Agreement has worked out in the case of each industry affected". The Third Report refers to the "surge of industrial activity in Southern Rhodesia" which, "for the greater part is the result of immigration and the general development of the country". The Council proposes to investigate these new industries in Southern Rhodesia "with a view to forming its independent conclusions on whether and in how far protection should be continued".

8. During 1951 each Government imposed (under Article 12) restrictions on the export of a certain number of essential or scarce articles. Imports of domestic products from each country remain exempt from the restrictions maintained for balance-of-payments reasons.

9. On several points of administrative procedure governing their external trade, which in the past have had restrictive effects, the two Governments have reached agreement on the establishment of similar regulations and practices. Apart from that, and except for the removal of the duty on one item to which reference is made in the Progress Report, it appears that no progress has been made during the first three years of the Interim Agreement in the elimination of duties and restrictions on trade between the two countries.

Application of a Uniform Tariff to Imports from other Contracting Parties

10. The Interim Agreement lays down the principle that the two Governments will seek agreement on progressive adjustments of their most-favoured-nation rates with a view to securing uniformity (Article 13). The Agreement itself introduced no changes in the tariffs, but the Customs Union Council considered that its first task should be to assist the Governments to establish uniform nomenclature and rates of duty. Upon investigation the Council concluded that an immediate realignment was not practicable.

11. Each tariff is composed of about 330 items. Various sub-items of 23 items showed no divergence in rate of duty when the Interim Agreement entered into force. During the first three years the Council submitted recommendations to the two Governments for the alignment of rates and nomenclature on 218 items. Some of these recommendations have been considered by the two Governments and on 44 items and 33 sub-items agreement upon alignment has been reached. Consideration of the remaining recommendations by the Government of Southern Rhodesia has been delayed owing to the proposal for the federation of the Rhodesias and Nyasaland. The Council states in its Third Report that 78 of the remaining items could be aligned were it not for a small preferential margin granted by Southern Rhodesia to the United Kingdom and other Commonwealth countries, and the Council has recommended that negotiations concerning these preferences should be undertaken with the countries concerned. However, in this connection the Council assumes that delay is due to the uncertainty of the outcome of the federation issue. The remaining items are said to present greater difficulties of alignment.

The Council's Programme of Work

12. In its Third Report, the Council lays down the following as its programme of work for the year 1 April 1952 to 31 March 1953:

- (1) Continuation of investigation of:
 - (a) the problem of the removal of restrictions in the trade between the two countries, including, for instance -
 - (i) simplification of the method of collecting additional duties;
 - (ii) common interpretation of the question of origin in relation to domestic produce;
 - (iii) agreement on similar administrative procedure in carrying out the provisions of the respective Customs Acts;
 - (b) the need of protection in Southern Rhodesia of the industries to which the items in Annexure "C" to the Agreement relate.
- (2) Further assisting the two Governments in the matter of establishing uniform tariffs vis-à-vis external countries.
- (3) Investigating and making reports on such matters as may require investigation and report under Annexure "A" to the Agreement.