

GENERAL AGREEMENT ON TARIFFS AND TRADE

L/1073

8 December 1959

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CONTRACTING PARTIES
Fifteenth Session

REPORT OF COMMITTEE II ON THE CONSULTATION WITH THE FEDERATION OF RHODESIA AND NYASALAND

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with the Federation of Rhodesia and Nyasaland. The Committee had before it: (i) document COM.II/2(s), dated 2 October 1959, which contained a synopsis, supplied by the Government of the Federation of Rhodesia and Nyasaland, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers, and (ii) document COM.II/21, dated 13 October 1959, containing detailed information, also supplied by the Government of the Federation of Rhodesia and Nyasaland, on commodities entering importantly into international trade. The consultation was conducted on the basis of an opening statement by the representative of the Federation of Rhodesia and Nyasaland, discussion on points arising from this opening statement and examination of background documents COM.II/2(s) and COM.II/21 furnished by the Government of the Federation. The consultation was completed on 11 November 1959. The present report summarizes the main points discussed during the consultation.

A. GENERAL AGRICULTURAL POLICY

2. In his opening statement, the representative of the Federation of Rhodesia and Nyasaland drew the attention of the Committee to the comprehensive statement on agricultural policy of the Federation which had been furnished to the Committee by his Government. He pointed out that the Federation's economy was largely dependent upon agriculture over which the Federal Government had only partial control.

3. The representative of the Federation drew the attention of the Committee to several important aspects of the Government's agricultural programmes on which great emphasis was placed, namely the conservation of natural resources, the resettlement of farmers, agricultural research programmes, the development of extension and advisory services, and agricultural marketing programmes.

4. Many other countries, in their broad statements of policy already submitted to the Committee, had called attention to the fact that there were important considerations affecting agricultural production which did not apply to other commodities in international trade. In addition, in young and under-developed countries such as the Federation, the agricultural problem was not only one of

economics but had major implications of social significance as well. People in the Federation had to be fully employed and had to be adequately fed. Vast numbers of them were neither. The Federation had the tremendous task of ensuring an adequate food supply for a population which was expected to at least double itself every twenty years.

5. Agriculture in Central Africa was confronted with special difficulties arising not only from variable and unpredictable climatic conditions which made farming even more speculative than usual, but also from the problems surrounding an industry only now emerging from the exploratory and experimental phase; an industry which still required much research, scientific investigation and other assistance. There were also serious implications arising from the nature of the Federal constitution, details of which had been set out in the background document CCM.II/2(s).

6. Agricultural policy had been directed towards supplying the full requirements of the internal market of such major agricultural commodities as the country was best equipped to produce and which could be grown on a reasonably economic basis. The Federal Government wanted to develop, maintain and increase staple food supplies up to the full requirement of the internal market and to produce for export such commodities as were able to meet competition in world markets. In order to achieve this the Federal Government had had to provide a system of guaranteed prices and markets, involving long-term agreements with producers, for certain major commodities such as maize, beef and liquid milk. It was felt that these arrangements had little adverse effect, if any, on international trade due to the comparatively few exports of agricultural produce other than tobacco and tea, neither of which enjoyed support prices; on the other hand, the Federation remained substantial importers of a great variety of foodstuffs including wheat, sugar and dairy produce.

7. For the reasons explained to the Committee [as outlined in paragraphs 2 to 6 above] the Federation would be disposed to resist proposals aimed at the material modification or the progressive dismantling of its existing policy and controls. In addition, the Federal Government would not wish to undertake to accept as an objective that guaranteed or support levels for farm prices should not exceed world market levels.

8. The Government of the Federation had to adopt these views because the Federation was aware of its dependence on copper and of the dangers inherent in relying mainly on base metal production. The representative of the Federation reminded the Committee of the concern which other countries had already expressed about the effects on their own economies of the violent fluctuations to which world price levels of agricultural commodities were subjected in the absence of stabilization schemes. The Federation had to develop a strong second pillar to its primary economy. The modification of the agricultural policy of the Federation on lines that seem to have been suggested in the comments of some countries in earlier consultations of Committee II would, it was feared, spell disaster for the Federation.

9. The representative of the Federation concluded his opening statement by stressing again that the Federation was a young country and constituted only a small market. His Government was appreciative of the problems facing the larger producers and therefore had gladly undertaken to participate in

the careful and exhaustive examination of the problems of his country and those of other countries in the hope that a mutually satisfactory solution could be found.

10. Members of the Committee thanked the representative of the Federation of Rhodesia and Nyasaland for his very comprehensive, clear and frank statement. Understanding was expressed for many of the problems facing the Federation as a newly independent and under-developed country.

11. In discussing the statement made by the representative of the Federation, several members of the Committee expressed great concern about the declaration that the Federation would resist proposals aimed at the material modification or the progressive dismantling of its existing policy and controls. The representative of the Federation hastened to explain that he had stated that the Federation would be "disposed" to resist such proposals. He referred the Committee to the concluding paragraph of his statement where he had emphasized that the Federation did appreciate the problems facing the larger producers and exporters, and therefore had gladly undertaken to participate in the careful and exhaustive examination of the Federation's problems and those of others, in the hope that a mutually satisfactory solution could be found. He stressed that there was no question of a completely rigid attitude on the part of the Federation and pointed out that his Government was ready to examine any alternatives put forward by the Committee.

12. A member of the Committee noted that in its agricultural policy the Government of the Federation aimed at proceeding first and foremost in accordance with the principle put forward by the United Nations Conference on Food and Agriculture in 1943 "that a secure, adequate and suitable supply of food should be the cardinal aim in every country". He stressed that this principle did not envisage that adequate supplies of food should be entirely produced in the country concerned. In pursuing its agricultural policy, the Federation severely restricted imports of agricultural products, yet at the same time depended on free access to overseas markets for its exports of tobacco and tea. He suggested that if other countries were to follow the Federation's policy of self-sufficiency in commodities they could produce reasonably economically, e.g. tobacco, the Federation's tobacco industry would face serious difficulties in finding markets abroad. The representative of the Federation explained that it was the intention of his Government to strive for self-sufficiency only when conditions pre-eminently suited production. He stressed that his Government had no intention of encouraging the production of wheat, butter, or any such products for which internal conditions were not suited.

13. In referring to the opening statement, members of the Committee enquired how the agricultural policies pursued by the Federation would reduce the Federation's reliance on copper. The representative of the Federation explained that agriculture was an infant industry and it was expected that its agriculture would not only become efficient and competitive but that the Federation also hoped to become one of Africa's largest exporters of agricultural products on a highly efficient basis.

Referring to the effect of the Federation's restrictive policies on international trade, a member of the Committee noted that in addition to using quantitative restrictions for protective reasons, the Federation was exporting certain agricultural products at prices much lower than charged

in the Federation's domestic market. Another member of the Committee observed that in the case of many agricultural products the policy of the Federation was to provide for the payment of guaranteed prices to producers and to permit imports of such products only where they were necessary to make up the difference between domestic supply and demand. He questioned the necessity of retaining a comprehensive structure of control measures if guarantees reflected the landed costs of imports. He felt that a simpler system of stabilization might suffice. He also enquired whether the decline in realized farm income was attributable to the decrease in support given to producers, or to increased efficiency not keeping pace with increased cost. He felt that the Federation should move in the direction of a policy of deficiency payments which would allow more scope for imports. This would have the favourable effect of reducing barriers to international trade, providing a stimulus to producers and ensuring more adequate supplies at reasonable prices.

14. Another member of the Committee noted that two products, tobacco and tea, on which no restrictions existed, contributed to approximately 50 per cent of the gross national product. He felt that more attention should be directed to such crops which could be obviously produced efficiently and economically in the Federation. He requested details on the export of tobacco in recent years.

15. In reply to the many questions posed by members of the Committee, the representative of the Federation explained that production in the Federation was seasonal and unreliable. In his view this gave rise to a situation which could not be adequately catered for by customs tariffs. As an example he explained that if tariffs rather than quantitative restrictions were used for the protection of the pig industry, domestic producers would not be able to market pig products in the Federation. At present only the relatively small European population, who were familiar with and preferred the branded products of other pig producing countries, constituted a market. He stated that the increase in price which even a high customs tariff would add to the imported product would have little effect on its demand. The need for quantitative restrictions would diminish as this market expanded, but in the meantime only quantitative restrictions permitted continued domestic production. He stressed that the same principle applied to a number of other commodities.

16. The representative of the Federation explained that many commodities were marketed in the Federation at prices based on the landed cost of imports. Where the commodity was not permitted to be imported as in the case of cheddar cheese, the landed price was ascertained and the domestic buying and selling prices determined accordingly. There were no products on which a producer was paid more than the price or ascertained price of the imported equivalent.

17. Referring to the decline in farm incomes, the representative of the Federation stated that until three years ago, it had been the policy of the Government of the Federation to attain self-sufficiency at any cost. This had resulted in higher farm incomes. However, exportable surpluses accumulated and the policy was changed which resulted in a reduction of farm income. The policy of the completely guaranteed local market, however, remained.

18. In reply to a question on subsidies, the representative of the Federation explained that it was the policy of his Government to eliminate all forms of subsidies which were tied to commodities. The Government was only willing to protect the domestic market where domestic products could be sold at prices comparable to the prices of imports.

B. COMMODITIES

TOBACCO

19. Commenting on references to tobacco production in the Federation, the representative of the Federation pointed out that his Government had been concentrating on encouraging the production of this product until the point had been reached where the Federation was one of the world's largest producers of tobacco. He emphasized, however, that markets were not inexhaustible and that the Federation was confronted with abnormal as well as normal competition. He added that not all land was suited to the growing of tobacco and that the Federation was reaching the position where further expansion of production was difficult. Prosperity in the tobacco industry was largely a result of the policies of the United States Government which, although damaging at times, had the effect of maintaining prices at a high level. More than half of the tobacco production in the Federation was marketed under long-term marketing arrangements which were completely private and outside the jurisdiction of the State. The producers had loose arrangements with importers abroad on a progressive three-year basis and although guarantees were not exchanged these arrangements had been honoured for many years.

20. A member of the Committee stated that it was his understanding that the arrangements between the tobacco producers in the Federation and importers in the United Kingdom had the sanction of the United Kingdom Government. He stated that such arrangements were difficult to define as being either government or private arrangements, but in any event had the same effect on international trade as bilateral agreements between government authorities. The representative of the Federation stressed that insofar as the Federation was concerned, these arrangements had no government backing or sanction and were merely understandings between private producers and overseas importers.

FISH

21. In response to a question on the measures taken to protect the fishing industry of the Federation, the representative of the Federation explained that fishing was a very important industry in the remoter sections of Northern Rhodesia and in Nyasaland. Most of the fish taken in these areas were dried and consumed locally. They constituted a very important part of the local diet, particularly in the case of Nyasaland where available supplies of animal protein were almost non-existent. The Federation Government had therefore imposed a total ban on exports from these areas even to the extent of prohibiting shipments to other parts of the Federation. The representative of the Federation informed the Committee that there were no quantitative restrictions on the importation of fish.

MAIZE

22. In reply to a question on the high fixed prices for maize, the representative of the Federation explained that maize had been amongst the products, the production of which up until three years ago had been stimulated by high fixed prices. On finding themselves with a major export surplus, the

Government had immediately started scaling down the price to where it was expected to be 36/- for 1960, which was lower than the cost of imported maize from the Union of South Africa.

WHEAT

23. Referring to State-trading practices in the Federation, a member of the Committee asked whether the Federal Grain Marketing Board which operated the long-term price guarantee on maize was responsible for the importation of wheat. He also questioned the protective effect on local maize production of import restrictions on wheat and asked whether there was any substitution of wheat for domestically produced maize.

24. The representative of the Federation explained that agricultural marketing boards had no control over quantitative restrictions and that the Federal Grain Marketing Board had no control over wheat. There had been a rapid rise in wheat imports over the past three years, during which time sales of maize had remained stable, indicating that a considerable substitution of wheat for maize was taking place. He informed the Committee that while a guaranteed price did exist for wheat, it was not the policy of his Government to foster production. Prior to Federation in 1955, wheat production had been encouraged in Northern Rhodesia, but the Federal Government had since progressively reduced the guaranteed price and freely issued permits for importations.

BARLEY

25. Considerable interest was expressed by several members in the treatment of malt and barley and barley-malt in the Federation. The representative of the Federation stated that the controls were implemented one year ago. It had been the practice of brewers to ship barley to the Union of South Africa for malting, but in view of the vital necessity for the Federation to industrialize, the decision to impose import controls was taken to encourage the establishment of a malting industry. As a result of these controls a malting plant costing approximately £500,000 was under construction. It was the intention of the Government to replace import controls by tariffs when the industry was well established.

DAIRY PRODUCTS

26. A member of the Committee enquired whether the subsidy on fresh milk production was applied to the production of butter and cheese. In response to this and other questions, the representative of the Federation stated that in the whole of the Federation an excess production of 1,750,000 gallons of milk was subsidized as a safety margin. The surplus production was converted into cheese and to that extent constituted a subsidy on cheese. He informed the Committee that up until six years ago milk was rationed. To avoid a recurrence of this situation it was at that time felt necessary to subsidize milk production for 20 per cent in excess of demand. This amount has now been reduced to 10 per cent. He explained that the liquid milk subsidy accounted for approximately 45 per cent of total cheese requirements. Attempts to eliminate the subsidy had faced great opposition, but the Government was determined to eliminate it in due course. A member of the Committee

thanked the representative of the Federation for his frank reply, and expressed the hope that the Government of the Federation would succeed in removing the subsidy.

27. A member of the Committee observed that in addition to the full guaranteed price paid for a portion of the liquid milk production, there was also a lower price of 1/9d per gallon and 1/3d per gallon in Southern and Northern Rhodesia respectively on the bulk of milk production. He felt that the way in which these measures were implemented did not encourage the producer to limit milk production. The representative of the Federation stated that it was the view of his Government that average price policies which guaranteed a market up to internal requirements encouraged efficient and discouraged inefficient producers, whereas a system of quotas for producers would tend to assist the inefficient producer. Another member of the Committee enquired whether the guaranteed price was uniform throughout the Federation. He observed that the differences between the guaranteed prices and wholesale prices were fairly substantial and appeared sufficient to absorb pasteurization and transportation costs without the need of a subsidy. The representative of the Federation explained that although guaranteed prices to producers were uniform, wholesale prices varied due to different conditions in different parts of the Federation. In certain areas great difficulties of distribution existed. In Northern Rhodesia a portion of the milk production had to be shipped over 600 miles to the main consuming areas.

28. A member of the Committee enquired whether there were any limits in the Federation on the production and importation of butter substitutes. The representative of the Federation advised that while there were no import controls the Government was presently examining the possibility of tariff protection for domestically manufactured butter substitutes.

PIGS

29. In response to the questions raised by several members of the Committee, the representative of the Federation stated that his Government did not guarantee pig prices although the Government did indicate fair-average prices. There was no Government marketing machinery of any kind for pigs; when the industry in the Federation indicated to the Government that the local pig market was being disturbed by imports, the Government would be ready to introduce import control, and, to this extent, the internal market for pigs might be regarded as a guaranteed market.

C. GENERAL

30. Referring to the input/output account of European agriculture in Southern Rhodesia, a member of the Committee noted that there had been a substantial decline in real incomes from 1957 to 1958. It appeared that an increase in African wages had some effect on this decline; he asked whether the increase in wages was due to a general rise in wage levels or to an increase in the number of employees. The representative of the Federation stated that the realized income fell partly as a result of the poor season in 1958 and partly as a result of the scaling down of support programmes by the Government. He added that African wages increased by from 5 per cent to 7 per cent annually with great regularity.

31. It was noted by a member of the Committee that price guarantees for many commodities were tied to the landed cost of imports. He asked how guaranteed prices were fixed for commodities for which no imports were permitted, and also how the violent fluctuations in the world prices of some commodities were avoided in the Federation's guaranteed prices. The representative of the Federation explained that the method of fixing guaranteed prices varied from commodity to commodity. As an example he referred to maize which could not be imported unless it was in short supply. In arriving at a domestic price for maize, it was the procedure to obtain a price quotation from the Government of the Union of South Africa and to use this quotation to determine the price of domestically produced maize. Differences such as the cost of production in the two countries were taken into consideration. He informed the Committee that constant pressures were exerted on the Government for the establishment of prices in excess of world prices for certain commodities, but the Federation's policy has been one of preventing such developments.

32. A member of the Committee stated that he had been led to infer that certain quantitative restrictions imposed by the Federation were implemented for the protection of agriculture and not because of balance-of-payments difficulties. He asked how the Federation would pursue its agricultural policy when balance-of-payments difficulties disappeared. The representative of the Federation explained that precisely what his Government intended had not yet been determined. His Government would, however, appreciate suggestions from contracting parties.

33. In response to questions on the use of quantitative restrictions for protective reasons, the representative of the Federation stated that many basic commodities in the Federation required protection but that from time to time imports of these commodities were required. In such circumstances tariffs, unlike quantitative restrictions, would add to the cost to the consumer. A member of the Committee considered that the tariff was a much more efficient method of controlling imports. In times of serious shortages the tariff could be suspended, as was the practice in many other countries.

34. The Committee thanked the representative of the Federation for the lucid and frank manner in which he discussed his country's agricultural problems; the discussion had greatly enhanced understanding of the many difficulties the Federation was experiencing. The hope was expressed, however, that the Government of the Federation would re-examine its agricultural problems and quantitative restrictions at the earliest opportunity in the light of its GATT obligations.