

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## REPORT OF THE WORKING PARTY ON SOUTH AFRICA/RHODESIA TRADE RELATIONS

1. In accordance with its terms of reference the Working Party addressed itself to the two tasks assigned to it by the CONTRACTING PARTIES:

- (i) the review of the operation of the Decision of 4 June 1960;
- (ii) the examination of the Trade Agreement between South Africa and Rhodesia of 30 November 1964.

It heard explanatory statements by the representatives of South Africa and Rhodesia, the full texts of which are annexed hereto.

### Review of the operation of the Decision of 4 June 1960

2. The representative of South Africa referred to the reports which his Government, in accordance with the terms of the Decision, had annually submitted to the CONTRACTING PARTIES and recalled that, in the period of nearly five years since the Decision was taken it had been resorted to only three times.

3. The Working Party recognized that the Government of South Africa had made sparing use of the waiver and that the procedures laid down by the CONTRACTING PARTIES had been scrupulously adhered to. Furthermore, South Africa had satisfactorily complied with the undertakings her representative had given to the CONTRACTING PARTIES at the time the Decision was adopted (SR.16/11).

### Examination of the Trade Agreement between South Africa and Rhodesia of 30 November 1964

4. The Working Party examined the new Agreement with the purpose of determining whether it contained any arrangements which departed from the provisions of the General Agreement. It was noted that it was not for the Working Party to pass judgment on the Agreement itself. In examining the new Agreement in relation to the 1960 Agreement it found that their general provisions, although somewhat differently worded, were essentially the same. The differences of substance

were to be found in the schedules annexed to the two Agreements. The Working Party devoted much of its attention to this question. While it was prepared to consider the changes globally and therefore to allow the more favourable aspects of the new Agreement to compensate for the less favourable, there were arrangements in the 1964 Agreement which departed from certain provisions of the GATT, especially Article I, and which would have to be considered with great care.

5. After an examination of the documentation the Working Party was satisfied that, as far as preferences by Rhodesia to South Africa were concerned, while the new Agreement restored, in whole or in part, some of the preferences of the 1955 Agreement, which were not provided for in the 1960 Agreement, these were still very substantially less than was permissible to Rhodesia under the base date Decision of 19 November 1960. On more than 300 items and sub-items, covering a sizeable portion of the Customs tariff, Rhodesia had not gone so far as Article I and the above-mentioned base date Decision would have allowed. Indeed, moreover, there was not one case in which the preferences granted to South Africa in the new Agreement exceeded the limits permissible under the GATT. No problem therefore arose from this side with respect to tariff preferences.

6. With respect to preferences granted by South Africa to Rhodesia, the Working Party was informed that the new Agreement contained nine sub-items<sup>1</sup> in respect of which the margins of preference in favour of Rhodesia were increased beyond the permitted maximum due to increases in the most-favoured-nation rates since the base date.

7. On another forty-one items or sub-items<sup>1</sup> preferences were granted to Rhodesia on products for which no preference was provided on the base date fixed by the Decision of 19 November 1960.

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<sup>1</sup>See document SECRET/159.

8. In the case of the fifty items or sub-items referred to in paragraphs 6 and 7 above, which represent a very small portion of her customs tariff, South Africa would be departing from the provisions of Article I of the General Agreement. The Working Party would have wished to carry out a quantitative examination of these preferences. It appeared, however, that since the latest available statistical figures were those of 1963 which related to exports of the ex-Federation of Rhodesia and Nyasaland and not to exports of Rhodesia; and since, in any event, the South African figures coincided in the majority of cases only very roughly with the items provided for in the Annexes to the Agreement, such a quantitative analysis was not possible. For the same reasons the Working Party recognized that on the information available a quantitative assessment of the commercial importance to third countries of these arrangements was not possible. The representatives of the two countries, nevertheless, placed themselves at the disposal of the Working Party to do all they could to reply to any specific queries.

9. For the same reasons it was not possible for South Africa or Rhodesia to quantify in trade terms the items on which the preferences available on their base dates were unused or underused. While the Working Party was thus unable to make an overall assessment of the changes in preferences between the two countries brought into effect by the new Agreement, it nevertheless noted that the increased preferences, whether legal or not, should be seen against the background that:

- (a) on more than 300 items and sub-items of the Rhodesian customs tariff Rhodesia had not made use of, or had only partly used, the possibility of increasing preferences as permitted to her by Article I;
- (b) South Africa had introduced or increased a number of preferences and, in the cases set out in paragraphs 6 and 7, had gone beyond the limits set to her by Article I, but had not made use of the possibilities of increasing preferences on some 170 items or sub-items as permitted to her by Article I.

10. While members of the Working Party were aware of the fact that tariff preferences could not be measured by citing the numbers of tariff items involved, the figures of these items tended to suggest that the trade affected by the increased preferences for which there was no GATT authority was smaller than the trade that would have been affected if South Africa and Rhodesia had increased preferences in all cases where they already had GATT authority. They noted that a detailed quantification in trade terms would greatly have helped them to form a judgment.

11. The new Agreement maintained the provisions already contained in the 1960 Agreement, whereby the two parties granted each other exemption from balance-of-payments import restrictions. The Working Party noted that Rhodesia did not apply restrictions under Article XII and that South Africa would be consulting with the CONTRACTING PARTIES in early May 1965 with respect to its balance-of-payments restrictions. It was further noted that although the representative of South Africa was not now in a position to give an assurance to the CONTRACTING PARTIES that his Government would remove quantitative restrictions on all those products which were also the subject of preferences, he was prepared to reiterate the assurance given to CONTRACTING PARTIES in 1960 that his Government would eliminate the preferential situation of Rhodesia in South Africa's balance-of-payments restrictive system through a general liberalization of South Africa's restrictions as rapidly as her balance-of-payments and reserve positions permitted, giving priority to products for which preferential treatment was meaningful to the trade of Rhodesia.

12. The major problems having been examined, the two countries were asked to indicate what action they would like the CONTRACTING PARTIES to take in this matter. The representatives of the two countries recalled how much of the time of the CONTRACTING PARTIES had on repeated occasions over the years been taken up to examine their trade relations on an ad hoc basis and asked whether some form of permanent arrangement could be made once and for all to govern their trade relations. The Working Party did not consider it was in its powers to recommend any such arrangement.

13. While it was not in a position to recommend action of a permanent character by the CONTRACTING PARTIES, the Working Party wishes to set out some of the salient facts which make this a special case. There was recognition for the historical ties which in the commercial field had always involved special trading arrangements between the two countries. No less important in the view of the Working Party were the reasons of contiguity which made them so much dependent on each other. Another factor which the Working Party felt should be kept in due consideration was that the preferences, which created the problem in GATT, were in favour of Rhodesia, a land-locked country whose new and small industries could count on a very limited domestic market and for many of whose products the larger South African market provided one of the few available export outlets. In this connexion the representatives of the two countries pointed out to the Working Party that the Rhodesian products benefiting from preferences in South Africa would be competing essentially against South African domestic products rather than against imports from third countries which they believed would remain virtually unaffected. The Working Party noted that the two Governments were both willing at any time to consult with any contracting party which felt its interests to be affected.

14. In the light of the foregoing the Working Party reports that:

- (i) the 1964 Agreement has as a basis the 1960 Agreement, its Articles being essentially the same and the products provided for in the 1960 Agreement being included also in the 1964 Agreement;
- (ii) the 1964 Agreement covers a larger range of goods than was covered by the 1960 Agreement;
- (iii) Rhodesia, in granting concessions on goods covered by the 1964 Agreement, has in no case exceeded the margins permitted to her under Article I of GATT;
- (iv) as regards products of Rhodesia which are admitted into South Africa duty free or at preferential rates of duty expressed as fractional rebates from the most-favoured-nation rate, the Decision of 4 June 1960 could be further extended;

- (v) where preferences in excess of the margins permissible under Article I of GATT have been granted to Rhodesia by South Africa, these preferences could be taken care of by suitable language in the proposed extension of the Decision of 4 June 1960.

15. A draft decision to cover the points in sub-paragraphs (iv) and (v) of the preceding paragraph is attached hereto.

ANNEX IStatement by the South African Delegation  
on 23 March 1965

1. In his statement on 9 March 1965, in the plenary meeting the Chairman of the CONTRACTING PARTIES recalled that there was considerable GATT history in connexion with the trade relations between South Africa and Rhodesia. He mentioned certain specific occasions on which various agreements between the two countries had been dealt with by the CONTRACTING PARTIES. The traditional trade relationship which exists between the two countries has been mentioned in the GATT at various times in the past and may be familiar to some of you already. However, I trust you will bear with me if I recapitulate its history briefly, for the benefit of those members who may not be fully acquainted with the details.
  
2. As far back as 1903, those territories now forming the Republic of South Africa, which were then British Colonies, were parties to a Customs Union of which Rhodesia was also a member. This relationship was continued in 1910, after the formation of the Union of South Africa, and remained unchanged until 1925, when certain limited exceptions to the free movement of domestic products were introduced. In 1935 the Customs Union arrangements between the two countries were replaced by a preferential agreement. Although the principle of a free interchange of products between the two countries was retained under the preferential Customs Agreement, the number of exceptions to the principle was substantially increased in comparison with the position which had prevailed under the earlier Customs Union arrangements. Then in 1949 the two countries concluded a Customs Union (Interim) Agreement, which aimed at the re-establishment of a Customs Union based on a duty-free interchange of domestic products and a common external tariff. As the Chairman of the CONTRACTING PARTIES pointed out on Tuesday, 9 March, that Agreement was examined by the CONTRACTING PARTIES under Article XXIV. Upon the formation of the Federation of Rhodesia and Nyasaland in 1953, the trade relations between South Africa and the Federation naturally had to be reviewed, and were thereafter regulated by the Agreements of 1955 and 1960. Both these Agreements were examined by Working Parties under the GATT.

3. The Working Party which examined the Agreement of 1960 reported thereon in document L/1225 of 3 June 1960. The Text of its report appears on pages 231 to 236 of BISD Ninth Supplement. The recommendations made by the Working Party were accepted by the CONTRACTING PARTIES in the Decision of 4 June 1960, which appears on page 51 of BISD Ninth Supplement. The South African representative taking part in the discussions held prior to the adoption of the report and the subsequent Decision gave certain specific undertakings, which are reflected in document SR.16/11 dated 23 June 1960 on page 152.

4. Action which South Africa was permitted to take under the Decision of 4 June 1960 was taken in three cases only, namely:

- (i) In 1960 in respect of cotton belting weighing more than 10 oz per square yard ex tariff item 75(1)(a) -- no requests for consultations were received.
- (ii) In 1960 again, in respect of bed sheets and pillow-cases other than of calico, drill, twill and sateen or winter sheeting ex tariff item 73(1)(a)(xiii); and
- (iii) In 1963 in respect of knitted outer clothing n.e.e. including jerseys, pullovers and shirts, other than garments containing more than 50 per cent, by weight of worsted wool or mixtures thereof or 50 per cent or more by weight of cotton under tariff item 65(b)(iv)(4).

The South African Government in each case advised the CONTRACTING PARTIES and any party which it considered might have a substantial interest in the goods within the prescribed period. My Government also consulted with those governments who had requested consultations. In no case was there any proof that any contracting party had suffered material injury. In addition, my Government reported annually on any steps taken under the Decision of 4 June 1960. This sparing use made of the right under the waiver is evidence that my Government restricted action thereunder to the absolute minimum, strictly in accordance with the assurance it gave when the 1960 Agreement was under consideration by the CONTRACTING PARTIES. This assurance is also mentioned in the preamble of the Decision of 4 June 1960.

5. In accordance with a decision of the CONTRACTING PARTIES of 3 December 1955, South Africa established a new date for the purpose of paragraph 4 of Article 1 in respect of the products of the Federation of Rhodesia and Nyasaland. In a decision of 19 November 1960, South Africa's date in relation to the products of the Federation was laid down as 30 June 1960, with the proviso that the tariff adjustments made effective by South Africa on 1 July 1960, pursuant to the decision of 3 December 1955 were deemed, for this purpose, to have been in effect on that date.



6. The dissolution of the Federation of Rhodesia and Nyasaland at the end of 1963 caused a review of the trading relations between South Africa and Rhodesia to be undertaken and a new agreement was concluded. This agreement has as basis the 1960 Agreement, but it covers a larger number of goods.
7. In comparing the two agreements, the following should be noted:
- (a) The general provisions of the new agreement, although somewhat differently worded, are essentially the same as those of the 1960 Agreement. Thus, except for the provisions for the application of the various schedules,
    - (i) the provisions in Article 7 of the new agreement in respect of the export duty on rough and uncut diamonds are similar to those of Article 6 in the 1960 Agreement;
    - (ii) the provisions in Article 8 of the new agreement in respect of the definitions of manufactured goods are essentially the same as those of Article 7 of the 1960 agreement. (These provisions are however modified by other conditions enumerated for instance in the Schedules);
    - (iii) the provisions in Article 9 of the new agreement in respect of the imposition of dumping and countervailing duties, subsidies and assistance in the investigation of allegations of dumping are the same as those of Article 8 of the 1960 Agreement;
    - (iv) the provisions in Article 10 of the new agreement in respect of the levying of a duty of excise or surtax are the same as those of Article 9 of the 1960 Agreement;
    - (v) the provisions in Article 11 of the new agreement in respect of customs measures and procedures and in respect of tourism are the same as those of Article 10 of the 1960 Agreement; and
    - (vi) the provisions in Article 12 of the new agreement in respect of quantitative import and export restrictions are essentially the same as those of Article 12 of the 1960 Agreement.
  - (b) Articles 2 and 13 have no equivalent counterparts in the 1960 Agreement, but these new provisions were necessary to meet internal legal requirements.
  - (c) The total quantity of flue-cured Virginia-type leaf tobacco mentioned in Article 4 of the new agreement is the same as that covered by Article 3 of the 1960 Agreement. The most-favoured-nation rate of duty on leaf tobacco has remained unchanged since 1960, and this is in accordance with the undertaking given by the South African delegation on 4 June 1960.

- (d) Turning now to the Schedules of the new agreement, it should be noted that:
- (i) Part I of Annex A of the new agreement except for minor terminological changes, is the same as Annex A of the 1960 Agreement;
  - (ii) the goods specified in Part II of Annex A of the new agreement, whilst subject to control by permit, are admissible into South Africa at the most-favoured-nation rates of duty. This Part is a new addition;
  - (iii) Part I of Annex B of the new agreement is the same, except for certain drafting changes, as Part I of the 1960 Agreement. No addition has been made to the goods enumerated thereunder;
  - (iv) Part II of Annex B of the 1960 Agreement has been incorporated in Part IX of Annex B of the new agreement, and the extent of the rebates is the same except in the case of certain specified parts of gramradios, radio receiving sets, n.e.e. and television receiving sets, where the extent of the rebate has been increased and in the case of television receiving sets under item 154(4)(a), which are not included in the new Schedules;
  - (v) Part III of Annex B of the 1960 Agreement provided in respect of cigarettes from the Federation for a rebate of the duty to the extent of one-quarter of the most-favoured-nation rate of duty. On 4 June 1960, the South African delegation undertook to convert the then margin of preference into a specific margin of preference in the new decimal currency of South Africa. This was done by amending the Agreement by an Exchange of Notes between the two Governments in February 1961, copies of which sent to the contracting parties through the Executive Secretary. Decimal currency was introduced in South Africa in February 1961. The specific level of the rebate, namely 105 cents per 1,000 cigarettes, is retained in Part IX of Annex B of the new agreement;
  - (vi) what remains now is the rest of the South African Schedules in the new agreement, covering goods which are not mentioned in the 1960 Agreement. The treatment accorded these goods may be summarized as follows:
    - A. Admission at a specified rebate from the most-favoured-nation rate of duty:

Parts II, III and IX of Annex B.

B. Admission at a specified rebate from the most-favoured-nation rate of duty, but with the total imports limited by quantity or value;

Parts IV and VI of Annex B.

C. Free admission;

Part VIII of Annex B.

D. Free admission but with total imports limited by value;

Parts V and VII of Annex B.

E. Admission with a binding of the most-favoured-nation rates of duty;

Parts X and XI of Annex B; and

(vii) Annex C prescribes the treatment accorded to specified South African goods on importation into Rhodesia. South African goods, not specified in Annex C, are provided for under paragraph 1 of Article 6 of the agreement.

8. I have attempted to give a comparison between the new agreement and that of 1960, and have said that the new agreement was concluded on the basis of the 1960 Agreement. Under the new agreement, certain additions have been made to the goods on which South Africa grants preferential treatment on importation from Rhodesia. I would point out, however, that under the base date of 30 June 1960 there were a number of other goods from the Federation on which South Africa could have granted preferential treatment but did not. However, as delegates here are aware, any trade agreement between countries is usually a compromise and neither side ever gets all the concessions it hopes for when the negotiations begin. As negotiations of this type proceed, a stage is generally reached where each country comes to the conclusion that the benefits which are likely to accrue to it are more or less in balance with the concessions it is prepared to make in return. My Rhodesian colleague will probably point out that his Government could equally have offered additional concessions to South Africa without exceeding the permissible margins under Rhodesia's base date, but that, in his Government's opinion, South Africa's offers did not warrant such a step.

9. Summarizing the position of the trade relations between the two countries under the new agreement, I would say that the present situation is such that closer relations between them have been restored. In some respects we are now nearer to the position which existed prior to Federation, but in other respects not even as close as during the life of the 1955 Agreement between South Africa and the Federation.

10. I should like to stress the meticulous manner in which my Government has honoured the undertakings given in 1960, and to the very limited action which was subsequently taken under the Decision of the CONTRACTING PARTIES of 4 June 1960. Having regard to these factors, to the traditional trade relations between the two countries, and to the overall view of the impact of the new agreement, my Government was satisfied that the agreement was of such a nature that it could lay it before the CONTRACTING PARTIES.

11. In conclusion, Mr. Chairman, I wish to express the willingness of my delegation to furnish any further information which might be regarded as necessary for the work of this Working Party, and to answer any questions in elucidating points which may not be clear.

ANNEX II

Statement by the Rhodesian Delegation on 23 March 1965

My South African colleague has already, in his statement, given the Working Party a comprehensive historical account of the trade relations between Rhodesia and South Africa, and a detailed summary of the general provisions of the new agreement and the provisions relating specifically to the treatment by South Africa of imports from Rhodesia. Thanks to his very full account, I can confine my own statement to the provisions of the agreement concerned with the treatment of imports into Rhodesia from South Africa, and to some expansion of my colleague's explanation of the general background to trade relations between our two countries, as seen from my Government's particular viewpoint.

First of all, let me complete the picture of the agreement itself by explaining Annexure C in a little more detail. This Annexure has no counterpart in the 1960 Agreement, in which the rates of duty set out in Column C (Commonwealth and Ireland) of the Customs Tariff were applied to South Africa, except in the case of goods described in Annexure A. There was, however, a corresponding Annexure in the 1955 Agreement, which was that in force on Rhodesia's Base Date for purposes of Article I of the GATT. All the goods described in the new Annexure C were included in the 1955 Agreement, in terms of which they enjoyed preferences the same as, or in many cases greater than those which they enjoy in the new Agreement. A large number of items which, in the 1955 Agreement, enjoyed preferences equal to or greater than those provided in Column D (United Kingdom and Dependencies) of the Customs Tariff do not appear in the new Annexure C and continue, as in the 1960 Agreement, merely to enjoy any preferences which may be provided in Column C of the Customs Tariff. Thus, on balance, for the reasons suggested by my South African colleague, the preferences enjoyed by South African goods in the Rhodesian market are very considerably less than those which could have been accorded in terms of the Decision of 19 November 1960 regarding Base Dates (BISD Ninth Supplement page 46).

I should now like to make some more general comments on the new Agreement.

From the beginning of the development of a modern economy in Rhodesia, a process which still has a very long way to go, the geographical contiguity of South Africa, its much greater size and its much more advanced stage of development has made it essential for trade relations between the two countries to be close, and governed by special arrangements. This must have been brought home to the Working Party very vividly by my South African colleague's historical outline of our past trade arrangements. Of the interesting features which emerge from a study of those past arrangements, there are two which I would wish particularly to draw to the attention of the Working Party. One has been the need for a constant process of revision, to take account of developments in the two economies. The other has been the tendency for a sharp distinction to become established between the type of tariff treatment accorded respectively to South African exports to Rhodesia and Rhodesian exports to South Africa.

The first of these features, the need for constant revisions in the trade arrangements between South Africa and Rhodesia, is the basic reason for our meeting here today. For it is, unfortunately, a fact that the detailed provisions of the General Agreement do not provide a tailor-made answer to enable these revisions to be fitted automatically within its Articles. Hence the rather frustrating need to seek ad hoc answers in each case, and the rather long list of entries in Basic Instruments and Selected Documents under the names of our two countries. It is, I must say at the same time, a tribute to the secretariat, to contracting parties who have given up much time and effort in successive working parties and to the CONTRACTING PARTIES, that solutions have always been found to these difficult technical problems. I wonder, though, whether I am too optimistic to hope that, this time, in this Working Party, we shall be able to find a rather less formal and legalistic, rather less cumbersome, and rather more simple answer than those we have been able to find in the past.

Turning to the second of the features I mentioned earlier, the different types of tariff treatment in the two trade directions, I come to an aspect which should be of particular interest to members of the Working Party with important trade interests in our two markets. As far as Rhodesia is concerned, its basic aims in its trade negotiations with South Africa have long been the same. Firstly, it has sought access for the still-limited range of its potential exports to South Africa on the basis of duty-free and unrestricted entry. Secondly, it has had to put itself in a position to protect its own producers against competition from South African producers. The reason for both aims is the same; South African producers operate in nearly all fields in which there is production in Rhodesia, and they are generally more advanced, operate on a larger scale in a larger market and enjoy, because of geographical contiguity and lines of communication, even in the Rhodesian market, much the same advantages, where these are significant, of proximity to market.

It is the first of these aims which produces most of the technical GATT problems arising from our successive trade agreements, including the present one. Because, to give Rhodesia free entry, South Africa must create, but only incidentally, technical preferences. But I would ask our mutual trading partners to put these technical preferences in perspective. On the items concerned, Rhodesia is essentially competing, not with other outside suppliers, but with other South African domestic producers. It is not a preference against other external suppliers which Rhodesia seeks, but the ability to compete on level terms, or rather level tariff terms, with South African producers. Even on such terms, to compete in other respects is not easy.

I would expect our trading partners to be very much more concerned in the practical sense, with the position which South Africa enjoys in the Rhodesian market. Here, as I have already pointed out, the concessions in the new Agreement fall short, by a very considerable margin and over a wide range of goods, of those permissible in terms of the Base Date Decision of 19 November 1960. All our other external trading partners are thus, in terms of the new Agreement, in a very much better position than they could have been placed in terms of the GATT, in relation to competition in our market with South African exporters.

Finally, may I be permitted to stress to the Working Party the vital rôle which this new Agreement plays in the context of the continued health and future development of Rhodesia's economy, and especially that of its manufacturing industry. South Africa constitutes one of Rhodesia's very few substantial existing and potential markets for exports of manufactures. The access which the new Agreement provides for such exports is destined to play an important part in assisting Rhodesia to develop and diversify its economy, increase employment, particularly for unskilled and semi-skilled workers and generally improve the standard of living of its inhabitants. My Government has submitted this Agreement to the CONTRACTING PARTIES for examination, with confidence that it is, and will be found to be, fully in the spirit of the General Agreement.

ANNEX III

DRAFT DECISION

Recalling that the CONTRACTING PARTIES, in their Decision of 4 June 1960, decided that the Government of South Africa could under specified conditions increase the most-favoured-nation rates on products which, in terms of the Trade Agreement of 1960 between South Africa and the former Federation of Rhodesia and Nyasaland, were admitted from the Federation into South Africa duty free or at preferential rates which were expressed as fractional rebates of the most-favoured-nation rates;

Noting that the Government of South Africa made sparing use of this right and adhered scrupulously to the conditions of the Decision of 4 June 1960;

Recalling that the Federation of Rhodesia and Nyasaland was dissolved at the end of 1963;

Noting that the trade relations between South Africa and Rhodesia have been reviewed and are now regulated by the Trade Agreement concluded on 30 November 1964;

Considering that the Agreement of 1964 is based on the Agreement of 1960 and that more goods are covered by the former than by the latter;

Considering that under the terms of the Agreement of 1964 the margins of preference permissible under Rhodesia's base date are not exceeded and that a large number of permissible margins are not used or are only partially used;

Considering that in respect of certain items in the Agreement of 1964, the margins of preference permissible under South Africa's base date of 30 June 1960 are being exceeded but that there are a large number of items on which the permissible margins are not used at all or are being only partially used;

Considering the assurances given by the representative of South Africa that action under the authority of this Decision would be confined to a strictly limited number of cases;

Considering further that a number of the products under consideration are specified in Part I of Schedule XVIII, annexed to the General Agreement;

The CONTRACTING PARTIES, acting pursuant to the provisions of paragraph 5 of Article XXV of the General Agreement and in accordance with the procedures adopted by them on 1 November 1956, Decide as follows:



1. The provisions of paragraphs 1 and 4 of Article I of the General Agreement shall be waived to the extent necessary to:

- (a) permit the Government of South Africa, subject to the provisions of paragraphs 2, 3 and 4 of this Decision, to increase most-favoured-nation rates of duty on products which, in terms of the Agreement between South Africa and Rhodesia, will upon their importation into South Africa from Rhodesia be subject to duty-free treatment or to preferences expressed as fractional rebates from the most-favoured-nation rates applicable from time to time, while continuing to grant either duty-free treatment, or to grant the same fractional rebate to products originating in Rhodesia;
- (b) permit the Government of South Africa to maintain the margins of preference in favour of Rhodesia, which in the Trade Agreement of 30 November 1964 were either newly introduced or increased beyond the level permissible under the Decision of the CONTRACTING PARTIES of 19 November 1960 relating to base rates under Article I:4.

2. Before taking any action under paragraph 1(a) of this Decision, the Government of South Africa shall notify, by cable, the CONTRACTING PARTIES and any contracting party which it considers to have a substantial interest in the products concerned, and shall consult with any contracting party which considers that such action is likely to cause material damage to its commercial interests, with a view to arriving at a mutually satisfactory settlement which might involve compensatory adjustment. Any such consultations shall be requested and conducted with the least possible delay. The Government of South Africa may increase the most-favoured-nation rate concerned as proposed on or after the twenty-first day following the date of the notification by the Government of South Africa of its intention, whether or not agreement has been reached between the interested parties by that time; the consultations shall, however, continue if no agreement has been reached. If, after the proposed action has been taken by the Government of South Africa, and after further consultation, there is still no agreement between the parties concerned, the contracting party affected may refer the matter to the CONTRACTING PARTIES which shall promptly investigate any matter so referred to them and shall make appropriate recommendations to the contracting parties which they consider to be concerned. If the CONTRACTING PARTIES consider that the circumstances are serious enough to justify such action, they may authorize a contracting party, or contracting parties, to suspend the application to the Government of South Africa of such concessions or other obligations under the General Agreement as they determine to be appropriate in the circumstances.

3. This Decision shall be valid until 31 December 1969. Prior to that date the CONTRACTING PARTIES shall review the operation of this Decision.

4. The Government of South Africa shall report annually to the CONTRACTING PARTIES on the measures taken and on the effects of such measures on the imports of South Africa from all sources.

5. Any notification and/or consultation under the terms of this Decision shall be in strict confidence.