

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SOUTH AFRICAN IMPORT RESTRICTIONS

Press Statement by the Minister of Economic Affairs of South Africa

The following statement concerning application of South Africa's import controls, made by the Minister of Economic Affairs on 16 August 1965, has been communicated to the Director-General.

The Honourable Dr. Diederichs, Minister of Economic Affairs, in a statement issued today said that as a result of the high level of economic expansion and consumer demand, imports were continuing at an excessive rate - a rate which owing to the disappointing level of exports (due largely to unfavourable weather conditions) had adversely affected the country's reserves of foreign exchange.

Imports of capital equipment during the first six months of 1965, for example, showed an increase of 25 per cent over the level of imports during the corresponding period in 1964 and was approximately double the level of imports for the whole of 1961. This indicates the continued high level of capital investment.

The Minister added that it would be in our long-term interests if steps could be taken to ensure that economic activity was maintained at a slightly reduced level in order that conditions for our economic well-being in the country could be continued for a much longer period.

The credit restrictions which had been introduced earlier in the year, Dr. Diederichs stated, had been designed to curtail the present high level of economic activity and to level out the rate of expansion. These restrictions while being effective in certain sectors of the economy were however not so effective in other sectors.

"I have therefore decided" the Minister continued, "to supplement those restrictive measures by a somewhat tighter application of import control and to this end I have instructed my Department that the following steps be taken:

- (i) "The present basis for the issue of import facilities to industry for the importation of raw materials to cover approximately six months' consumption, will from today be calculated on the basis of four months' consumption. This will have the effect of reducing accumulated stocks of raw materials and will in the short-term effect a saving of foreign exchange without interfering with the level of industrial output.

(ii) "Similarly more care will be exercised in the issue of import permits for capital equipment.

(iii) "In both these cases importers are expected to obtain their requirements from local sources wherever it is feasible to do so.

(iv) "Applications for the establishment of new factories or for major expansions will from now on be viewed more critically by the New Industries Committee, particularly in those cases where the new factory concerned relies on a high percentage of imported raw materials or would otherwise contribute relatively little to the country's reserve of foreign exchange.

(v) "Existing industries which produce goods of a less essential nature and which rely on a large proportion of imported raw materials, will be pegged at their 1964 level of imports. In most of these cases the 1964 level was a very profitable level of operation and no unfair hardship will be caused by pegging the rate of expansion.

(vi) "Statistics show that the motor industry has accumulated to some extent, excessive stocks of vehicles and components and I propose to also reduce these stocks to more reasonable levels. My Department will in due course consult with the motor industry in this connexion.

(vii) "Those firms which export a reasonable proportion of their production, will continue to be encouraged under the Export Incentive bonus scheme."

The Minister concluded by saying that the question of the importation of other commodities was still under examination and a further announcement by him would be made at an early date.