

SECRET

Armstrong

GENERAL AGREEMENT ON
TARIFFS AND TRADE

No. 31
CP. 5/K/SECRET/14
4 December 1950
ORIGINAL: ENGLISH

CONTRACTING PARTIES

WORKING PARTY "K" ON CONSULTATIONS UNDER ARTICLE XII:4(b)

Statement by the Representative of Southern Rhodesia
at the Sixth Meeting held on Friday, 17 November 1950
at 3.00 p.m.

I would like to open with a few remarks of a general nature. Firstly, I would like to say that I am no financial expert - my special function is External Trade. It had originally been my Government's intention to send over a representative from the Treasury purely for this consultation, but in the end it was found to be impossible. Again, some of the papers have had to be sent back to Rhodesia - these remarks are particularly relevant to the discussion already had in the Working Party. I do not know if the Fund is going to follow me with a report on Southern Rhodesia, but I would point out that the Fund's background material was received only some ten or twelve days ago, and I have not as yet received any comments thereon from Southern Rhodesia. The Statistical tables contained therein are stated to have been compiled from papers issued by our own Statistical Department, and presumably are correct, but as regards the more general statements, you will realise it would be difficult for me to answer questions in the light of the two reasons given above. With this understanding and reservation I am prepared to give any information I can in a free and frank discussion, and in respect of anything I am unable to answer directly, information will be obtained in a few days and will be made available to the Working Party.

Passing now to my statement. In the first place I must say that though Southern Rhodesia is a self-governing Colony it is not entirely autonomous in the conduct of its affairs. It is virtually autonomous in Trade matters as is evidenced by its membership of GATT. However, we have no Central bank and all payments are made through London from which place, indeed, most of our money comes in the first place. So as regards our payments we are inextricably bound up with the sterling area, more so perhaps than some of the other members of it. The remarks made by the delegate of the United Kingdom in the opening of his statement and elaborated by Sir Stephen Holmes, together with the memorandum circulated before the Conference, relevant to the general position, apply equally to Southern Rhodesia, and I do not consider that I could add to them with any advantage to the Working Party.

As regards our restrictions themselves, at the outset it should be stated that the dollar areas in 1939 were not traditional suppliers of a number of commodities which were being marketed in Southern Rhodesia during and immediately after the 1939/45 war. In the immediate post-war period Southern Rhodesia's traditional suppliers were unable to meet many demands for capital and consumer goods which the country required for replacing war-time depreciation and internal development. A switch took place to countries which could supply (i.e. the dollar areas and possibly more particularly the United States of America) and imports rose rapidly. In 1947 - as an instance - of our total imports the percentage by value of imports from the United States of America had risen to 17.8% as against 9.5% in 1939. (This figure returned to 9.3% after the institution of restrictions.) Restrictions were imposed in September 1947 and a persistent demand for capital and semi-durable goods revealed itself in the early rush to secure dollar import permits. However, in 1949 and 1950 competition from our traditional suppliers in the United Kingdom and Europe became evident, and delivery dates became competitive with those of the dollar areas.

The method adopted for the control was initially one of 12 monthly allocation quotas which were irrevocable in that period, provided the goods were ordered through the banks in that time. The allocations were made in two main divisions, private interests and the Government departments, and there was a small amount operated by the Department of Trade and Industrial Development on behalf of small importers. As regards the former, the merchants were collected into groups under their Chambers of Commerce or Industries and a block allocation made to the groups. The sub-division was then made by the merchants themselves and brought back to the Department concerned for confirmation and record against the permits to be issued. This system was found to be remarkably successful and has continued to function smoothly. Throughout the controlled period all demands for dollar capital goods have been met and lately some permits already issued were not taken up as competitive pressure from our traditional suppliers made itself felt. On the other hand, the rapid expansion and development of secondary industries gave rise to a demand for capital goods which were of a type suitable for industries not previously represented in the Territory, and a refinement was introduced into our control in the institution of a National Dollar Committee. This body's main function is to operate a dollar allocation for the benefit of new industrialists whose claims might have suffered in the face of the claims of the older members of the groups, and also to stop any possible influencing of siting of these industries by, say, more liberal treatment from a group in a certain area.

It should also be emphasised that when the control was first introduced, durable consumer goods and consumer goods amounted to over 50% of imports from the dollar areas and owing to shortage of exchange these were necessarily prohibited and the available dollars were used solely for capital goods and essential raw materials. At no time, however, has the control been completely rigid. The emphasis on capital goods and raw materials was made to simplify administrative problems, but the Department was always, and still is, prepared to consider applications in particular circumstances for goods outside those fields. These remarks have a particular reference to the establishment of new industries and the operations of the National Dollar Committee previously referred to.

In August 1949 Southern Rhodesia, in common with the rest of the sterling area, took action to implement the decision of July of that year. As we were in the midst of a quota period, to ease administration it was decided to effect the reduction in expenditure by an extension of the period rather than by attempting to cut the dollar quotas already granted. The quota period had been from the 1st April 1949 to the 31st March, 1950. The period was accordingly extended till the 30th June, 1950.

As regards the future, the present allocation period is \$7 million (f.o.b.) for 6 months and extends to the 31st December this year, and no firm decision has as yet been advised me as regards the new period. It will be appreciated that the decision of September of Commonwealth Ministers, referred to by the delegate of the United Kingdom, will have a bearing on this subject and it would be a bit early to expect a firm decision. Statistics are of course not complete for 1950, but I have available trade statistics up to August 1950. Forecasts in regard to our trade for 1950 were made by a Working Party in Southern Rhodesia this year, and it was estimated that only small increases in exports to dollar countries and larger increases in exports to sterling and soft currency areas - mainly tobacco - could be expected. Any improvement, in other words, in the balance of payments is therefore expected to be in respect of soft currencies and not in dollars. The little likelihood of considerable increases in our dollar income is bound up with two factors - (1) Our dollar exports are mainly bulky and our Railway system is at present strained to the utmost. Moreover, being a single line it is particularly vulnerable. Last rainy season we had a washaway which required 3 to 4 days to repair with resultant losses in our export trade. (2) Our main export port is Beira Portuguese East Africa and we are entirely dependent upon the efforts of the Portuguese to increase or even maintain our present rate of exports. Any estimates made by us in the export field have consequently to be made with a degree of caution and reserve. On the other side actual Gold production has been steadily declining, although, of course, the value of the exports received a welcome

fillip recently. Moreover, a factor which is always before us is the recurring necessity for large imports of dollar foodstuffs. The staple diet of the African is maize, and unforeseen conditions such as a bad rainy season on the African sub-continent can create, and has created, the necessity for imports from dollar areas.

At the end of 1949 our balance of payments with the dollar area in terms of sterling was a deficit of some £3.2 million which was covered by our gold sales of a figure of £4.8 million. I have not available the payments position for 1950 so far, but it is confidently expected that they will not be widely different. Taking into account the factors quoted above, plus, on the other side, the unknown factor of possible effects of rearmament and general inflationary tendencies on the demand for imports, the uncertainties inherent in the situation are obvious. In this uncertain situation the Southern Rhodesian Government continues to practice strict economy in imports from dollar areas in accordance with the conclusions of the Commonwealth Ministers' Conference in September.