
A Thesis Submitted to the University of Manchester for the Degree of PhD Politics

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Faizel Ismail

School of Social Sciences
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Abstract

South Africa is a developing country. It has been an active participant in the multilateral trading system since the creation of the new democratic government in May 1994. However, the country’s role in the history of the multilateral trading system before this was very different. South Africa was a founding member of the GATT in 1947. The apartheid regime positioned itself within the organisation as a developed country and behaved as such. This study examines over 800 GATT documents on the country’s participation in the GATT from 1947 to 1994. These documents have not been examined or studied before in any comprehensive manner.

Although there is a vast literature on the history of the GATT, much of this is written from an orthodox standpoint, especially on the role of developing countries (Bhagwati, 2002; Srinivasan, 1998; Hoekman and Kostecki, 1995; Martin and Messerlin, 2007). More recently there has been some revisionist academic literature on the GATT (Wilkinson, 2006, 2014; Wilkinson and Scott, 2008). This empirical study contributes to the academic literature on the history of the GATT and adds to the work of the revisionists.

An examination of the GATT documentation raises three main questions that this study sets out to examine. First, why did Apartheid South Africa project itself as a developed country in the GATT from its formation in 1947? Second, how was South Africa able to implement its domestic protectionist and discriminatory policies and still adhere to the ideas and principles of the GATT? And third, why did the major players in the GATT reflect a tendency to deviate from the main ideas and principles of the GATT in their trade practices vis-à-vis South Africa? John Ruggie’s work on ideas and multilateralism and his concept of ‘embedded liberalism’ to describe the post-war multilateral economic institutions, including the GATT, is utilised to analyse the above questions.

This study argues that while Ruggie’s work is helpful in setting out the main ideas that drove the creation of the GATT and that became the core principles of the organisation, his
analytical work on the multilateral trading system is incomplete and will need to be extended by other theoretical work. The GATT documentation reveals that there was a gap between the ideals of the multilateral trading system and the practice of both South Africa and the developed countries within the organisation. While they both professed their commitment to the GATT ideas of liberalisation, non-discrimination and reciprocity, their practices often tended towards protectionism, discrimination and the exclusion of developing countries. To explain this contradictory behaviour this study has drawn on the revisionist history of the GATT. This extended analytical framework is utilised to analyse the GATT documentation on South Africa.
Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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Acknowledgements

The WTO secretariat provided me with invaluable assistance to conduct electronic searches of the GATT database. I am particularly indebted to Johan Human, the director of rules at the secretariat, who also served as South Africa’s representative to the WTO in Geneva in the 1980s, for his insights into the workings of the GATT and South Africa’s role during this period. Raghavan Chakravarthi has been an outstanding source of information, on the role of Apartheid South Africa in the GATT, and the opposition to its apartheid policies by both India and the African Group during the Uruguay Round. I am also indebted to David Hartridge, a former director in the GATT and advisor to Arthur Dunkeld, the director general of the GATT (1980-93) during the Uruguay Round, for his insights on the working of the organization during the Tokyo and Uruguay Rounds, and the role of South Africa during this period.

Several South African researchers and academics provided advice on references to the South African trade and industrial policy literature and comments on earlier drafts. These include Anthony Black, Rashad Cassim, Steven Gelb, Seeraj Mohammed and Alan Hirsch. Their insights helped to focus my mind on those areas of the vast literature on South Africa and apartheid that were most useful for this project. Ambassador Xavier Carim, the then deputy director general of the Department of Trade and Industry, and Rob Davies, the minister of trade and industry, offered valuable comments and encouragement that confirmed the relevance and importance of this project.

I am especially grateful to Rorden Wilkinson, my principal supervisor during the first two years of the PhD for persuading me to undertake this project and his generous time and patience. Without his vision and commitment to ensure that I persisted with the effort required to complete this project, I may not have endured the arduous journey of completing this PhD. David Hulme took over the task of principal supervisor when Rorden moved to Sussex University, with similar commitment and support that I am most grateful for.
Finally, I am most grateful to my wife Aase and children Leah, Thomas and Gregory, who had to put up with my absence from family engagements and my irregular sleeping habits while I was working on the PhD.
Abbreviations

AD  Anti-Dumping
AHI  Afrikaanse Handels Institute (Afrikaans Commercial Institute)
ANC  African National Congress
ATC  Agreement on Textiles and Clothing
BTI  Board of Trade and Industry
CAP  Common Agricultural Policy
COSATU Congress of South African Trade Unions
CVD  Countervailing Duties
DDA  Doha Development Agenda
DSB  Dispute Settlement Body
DSM  Dispute Settlement Mechanism
DTI  Department of Trade and Industry
EC  European Community
ECSC  European Coal and Steel Community
EEC  European Economic Community
EFTA  European Free Trade Association
EI  Ekonomiese Institute (Economic Institute)
ESCOM Electricity Supply Commission
EU  European Union
FAK  Federasie van Afrikaanse Kultuurverenigings (Federation of Afrikaans Cultural Associations)
FOSKOR Phosphate Development Corporation (Pty)
GATS  General Agreement on Trade in Services
GATT  General Agreement on Tariffs and Trade
GDP  Gross Domestic Product
GNP  Gross National Product
IDC  Industrial Development Corporation
ILO  International Labour Organization
IMF  International Monetary Fund
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>ISCOR</td>
<td>Iron and Steel Corporation</td>
</tr>
<tr>
<td>ITC</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td>ITO</td>
<td>International Trade Organization</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Country</td>
</tr>
<tr>
<td>LMG</td>
<td>Like Minded Group</td>
</tr>
<tr>
<td>MFA</td>
<td>Multi-Fibre Arrangement</td>
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<tr>
<td>MFN</td>
<td>Most-Favoured-Nation</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>MTN</td>
<td>Multilateral Trade Negotiation</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
</tr>
<tr>
<td>NAMA</td>
<td>Non-Agricultural Market Access</td>
</tr>
<tr>
<td>NEF</td>
<td>National Economic Forum</td>
</tr>
<tr>
<td>NEM</td>
<td>Normative Economic Model</td>
</tr>
<tr>
<td>NP</td>
<td>National Party</td>
</tr>
<tr>
<td>NTB</td>
<td>Non-Tariff Barrier</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OEEC</td>
<td>Organisation for European Economic Co-operation</td>
</tr>
<tr>
<td>OFS</td>
<td>Orange Free State</td>
</tr>
<tr>
<td>PAC</td>
<td>Pan Africanist Congress</td>
</tr>
<tr>
<td>QR</td>
<td>Quantitative Restrictions</td>
</tr>
<tr>
<td>RDB</td>
<td>Reddingsdaadbond (Rescue Action Society)</td>
</tr>
<tr>
<td>SACP</td>
<td>South African Communist Party</td>
</tr>
<tr>
<td>SANAC</td>
<td>South African Native Affairs Commission</td>
</tr>
<tr>
<td>SAP</td>
<td>South African Party</td>
</tr>
<tr>
<td>SAPPI</td>
<td>South African Pulp and Paper Industries</td>
</tr>
<tr>
<td>SASOL</td>
<td>South African Coal, Oil and Gas Corporation</td>
</tr>
<tr>
<td>SDT</td>
<td>Special and Differential Treatment</td>
</tr>
<tr>
<td>T&amp;C</td>
<td>Textiles and Clothing</td>
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<tr>
<td>TNC</td>
<td>Trade Negotiations Committee</td>
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<tr>
<td>TPR</td>
<td>Trade Policy Review</td>
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<tr>
<td>TRIMs</td>
<td>Trade Related Investment Measures</td>
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<td>TRIPs</td>
<td>Trade Related Intellectual Property Rights</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>UNCTE</td>
<td>United Nations Conference on Trade and Employment</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>US</td>
<td>United States of America</td>
</tr>
<tr>
<td>USSR</td>
<td>Union of Soviet Socialist Republics</td>
</tr>
<tr>
<td>USTR</td>
<td>United States Trade Representative</td>
</tr>
<tr>
<td>VER</td>
<td>Voluntary Export Restraint</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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<tr>
<td>ZAR</td>
<td><em>Zuid-Afrikaansche Republiek</em> (South African Republic or Transvaal Republic)</td>
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Chapter 1: Introduction – Apartheid South Africa in the GATT (1947-94)

1. Background

South Africa is a developing country. It has been an active participant in the multilateral trading system since the creation of the new democratic government, in May 1994. In a major foreign policy statement at the onset of the new democracy, President Nelson Mandela committed the new South Africa to work towards a rules-based multilateral trading system (Mandela, 1993). During the past 20 years of the new democratic government, South Africa has followed this approach as enunciated by Nelson Mandela on the eve of the new democracy, in an article in *Foreign Affairs* (Mandela, 1993). Mandela argued that South Africa’s foreign policy should rest on six principles: human rights, justice, respect for international law, peace, the interests of Africa, and international cooperation on economic development. In setting out the new South Africa’s foreign policies Mandela sought to embed its policies in the best tradition of idealism reflecting the new South Africa’s ‘own collective self-concept’ (Ruggie, 1994).

However, the country’s history in multilateral trading system before the new Democratic South Africa, was very different. South Africa was a founding member of the General Agreement on Tariffs and Trade (GATT) in 1947. The apartheid regime positioned itself as a developed country within the GATT membership and behaved as such. While there is some academic work on the role of Democratic South Africa in the WTO (Ismail and Vickers, 2013) little has been written on the apartheid period (Hirsch, 2005). This is a huge gap in the knowledge of South African economic history and the history of the multilateral trading system. There are various reasons for this, including the secrecy of the apartheid regime and the inaccessibility of the GATT archival material. Although there is a vast literature on the history of the GATT, much of this is written from an orthodox standpoint, especially on the role of developing countries (Hoekman and Kostecki, 1995; Srinivasan, 1998; Bhagwati, 2002; Martin and Messerlin, 2007). More recently there has been some revisionist academic literature on the organisation (Wilkinson, 2006, 2014; Wilkinson and
Scott, 2008). This empirical study contributes to the academic literature on the history of the GATT and adds to the work of the revisionists.

2. How the research was conducted

To create an understanding of the role of the apartheid regime in the multilateral system this thesis examines over 800 GATT documents on South Africa’s participation in the organisation from 1947 to 1994. These documents have not been examined or studied before in any comprehensive manner. The GATT archival documentation on South Africa reveals that it was an active member over this period. There has not been any major academic study of the role of South Africa in the GATT. A study undertaken by Alan Hirsch (2005) discusses its role only at the very end of the Uruguay Round. Another study focuses specifically on South Africa’s role in the GATT on ‘trade remedies’ and ‘anti-dumping’ measures (Brink, 2005).

I have been able to access the GATT documents due to the digitization process that the WTO has undertaken over the past decade. This has made it possible for the author to easily identify and select the documentation pertaining to the role of South Africa in the GATT from the latter’s archives. In addition, many GATT documents are still ‘restricted’ and not accessible to researchers. The documentation, a large part of which is referenced in this thesis, contains detailed technical information from South African government sources on its trade and industrial policies. There is a wealth of information in the GATT archival documentation that could be drawn on.

However, for the purposes of the study, only a select amount of this documentation was analysed in detail. A digital search of the GATT documentation from 1947 to 1994 identified several thousand items that related to South Africa. These documents were either proposals and submissions made by South Africa, or other documents that made reference to the country’s role in the GATT. After a first reading of these documents, a number of major themes and subjects appeared to recur the most across the period of this study. These included: balance of payments, GATT Article XXVIII, agriculture, South Africa’s participation and representations in GATT rounds, regional trade agreements, and Trade Policy Reviews (TPRs). The documents were then organised into roughly 16 years periods
for the purposes of the analysis in this study: 1947-63 (17 years); 1964-79 (16 years); and 1980-94 (15 years). These documents were then analysed with reference to the literature on the history of South Africa’s trade and industrial policies (discussed in Chapter 3).

In addition to the GATT documentation, some experts on the organisation (both practitioners and writers) and practitioners from the apartheid era bureaucracy were interviewed. These insights will be drawn on to contribute to the analysis of the GATT documents. While I have taken great pains to be as objective as possible in discussing the GATT documentation, the reader should be aware of my subjective orientation. As South Africa’s trade negotiator in the GATT for almost 12 years (2002-2014) I have been actively involved in advancing the views and interests of developing countries. I have also served in several leadership positions both as part of developing country coalitions, and as a representative of the membership of the World Trade Organisation (WTO) when I had occasion to chair WTO negotiating groups and committees.

This experience has been a major reason for my interest and insights into the workings of the GATT/WTO. In providing the reader with this information, I am mindful of the insights of Robert Cox, who has exposed the inherent bias of theory when he argued that; ‘all theories have a perspective’, and that ‘all theories derive from a position in time and space’ (Cox, 2013). Notwithstanding these inherent perspectives in my research and analysis I have made every effort to analyse the GATT documentation in a balanced and fair manner.

3. The identification of the main research questions

After a preliminary examination of the GATT documentation, together with initial interviews and a reading of the literature on the history of the GATT and the economic history of South Africa, three themes began to emerge: the contradictory development status of South Africa in the GATT; the gap between South Africa’s professed commitment to the ideals and principles of the GATT and its practices; and the gap between the developed countries practices in the GATT and their ideals and principles in the organisation. My reading of the recent literature on the history of the multilateral system and the role of South Africa, in particular during the leadership of Jan Smuts, provided useful background to further explore how South Africa positioned itself in the GATT
South Africa regarded itself as a developed country in international forums, yet its socio-economic profile, especially that of the majority of its people, reflected that of a developing country. The GATT documentation and the preliminary interviews that I undertook indicated that there was a wealth of information in the GATT documentation that could help to illuminate how South Africa viewed its development status in the GATT. It is for this reason that the question of South Africa’s development status is explored in this thesis.

A reading of the literature of South Africa’s economic history and its industrial and trade policies, reveals that various governments since the early part of the 20th Century had played an active role in promoting South Africa’s industrial development (Davies et al, 1976; Kaplan, 1976; Martin, 1990; Clark, 1994). South Africa was a founding member of the GATT and professed its commitment to the GATT ideals of freer trade, non-discrimination and reciprocity. Yet the GATT documentation reveals how South Africa was to use its trade and industrial policies to promote its industrial development. To assist the reader to evaluate the contradictions between South Africa’s trade and industrial policies domestically and its GATT policy commitments, this study provides a review of the literature on South Africa’s trade and industrial policies during the 20th Century. Viewed against the history of South Africa’s trade and industrial policies, the implementation of South Africa’s policies in the GATT casts new light on how South Africa managed the contradiction between its domestic and international policies. It is for this reason that the gap between South Africa’s domestic industrial development strategies and its professed commitment to the ideals and principles of the GATT are explored in this thesis.

The revisionist literature on the political economy and history of the GATT indicates that the developed countries were to profess their commitment to the ideals of the multilateral system at every opportunity in the organisation, while they were to deviate from them in practice (Wilkinson, 2006, 2014). The early historians of the GATT came to a similar conclusion (Wilcox, 1949; Gardner, 1956; Curzon, 1965; Patterson, 1966; Kock, 1969). A preliminary reading of the GATT documentation revealed that South Africa, notwithstanding its contradictory development status, was also to experience this
contradictory behaviour of developed countries in the GATT. It thus occurred to me that South Africa was a good case study for an examination of the contradictory behaviour of developed countries in the GATT. It is for this reason that the question of the developed countries’ behaviour vis-à-vis South Africa in the GATT is further explored with the use of the GATT documentation.

The main purpose of this study is thus to explore these three contradictions identified by a preliminary examination of the GATT documentation on South Africa and the academic literature on both the GATT and South Africa’s economic history.

4. The main arguments of the study and analytical framework

This study thus examines the three main questions discussed above and expressed as follows:

1. Why did Apartheid South Africa project itself as a developed country in the GATT since its formation in 1947?

2. How was Apartheid South Africa able to implement its domestic protectionist and discriminatory policies and yet still adhere to the ideas and principles of the GATT?

3. Why did the major players in the GATT reflect a tendency to deviate from the main ideas and principles of the GATT in their trade practices vis-à-vis South Africa?

It is useful to clarify the use of the word ‘discrimination’ in this study. It is used in this study to describe ‘trade discrimination’ rather than the more common ‘racial discrimination’ associated with South Africa. The term ‘trade discrimination’ is used in this study to mean the opposite of the concept of ‘non-discrimination’ which has a specific meaning in the GATT and is also referred to as ‘most favoured nation’ or MFN. Where the word ‘discrimination’ is used to mean ‘racial discrimination’ this will be explicitly indicated.

The orthodox and mainstream historians of the GATT tend to lay the blame for the failure of the GATT to respond positively to the needs of developing countries largely on the
developing countries themselves. The recent revisionist writers draw on the rich historical work of the early historians and refute the empirical basis of the mainstream argument. While it is generally acknowledged that the GATT failed to address the needs and interests of developing countries (Finger, 2007) most orthodox writers on the GATT have provided at least three reasons for this failure: the passive and defensive role of developing countries; the lack of participation of developing countries in the exchange of concessions; and the disproportionate focus of developing countries on ‘Special and Differential Treatment’.

However, more recent revisionist academic writers on the history of the GATT have debunked these claims and have argued that the failure of the GATT to address the needs and interests of developing countries had more to do with the exclusion of developing countries from its negotiations through the use of the ‘principal supplier’ method of negotiations and the exclusion of tropical agricultural products from GATT (Wilkinson, 2006, 2014; Wilkinson and Scott, 2008). In addition, the exclusion of agriculture at the outset of the formation of the GATT and the subsequent increasing levels of protection in both tropical agricultural products and textiles in developed countries provided little incentive for developing countries to make concessions in the GATT.

These writers have also argued that while developing countries did argue for Special and Differential Treatment, the measures that were eventually provided were ineffective. In any event these writers have shown that notwithstanding the continuing asymmetry that was re-inforced with each round of the GATT, developing countries did in fact make significant concessions to other members in each round of the negotiations (Wilkinson, 2006, 2014; Wilkinson and Scott, 2008). Thus this study argues that a different perspective on the role of developing countries in the GATT is required from that of the orthodox writers. Towards this end the history of the GATT will thus be reframed.

While this study is not about the history of developing countries in the GATT per se, the insights from the revisionist literature help us to understand the nature and character of the multilateral trading system itself, and the contradictions that the empirical documentation discussed in this study has revealed. This revisionist literature on the GATT it is argued helps us to reframe the history of the GATT. This research has benefitted immensely from this literature as it has helped to re-discover the writings of the early historians of the
GATT. The revisionist historical literature not only helps us to rebut the arguments of the mainstream orthodox historians on the role of developing countries in the GATT but it also goes a long way in helping to understand the contradictions and asymmetries of the GATT.

However, James Scott and Rorden Wilkinson (Wilkinson, 2006, 2014; Wilkinson and Scott, 2008) do not discuss the different perspectives or ideas on the multilateral trading system and how this was understood. As the discussion of Mandela’s perspective above revealed, both history and ideas are important tools of analysis. Much of the misrepresentation of the history of the GATT is also due to different ideas about the GATT. In Chapter 2, the literature on the conceptualization of the GATT, is reviewed. The discussion in this study is thus innovative in that it discusses both, the ideas and the historical practices of the GATT together to help us understand the contradictions that emerge in South Africa’s role in the GATT.

To assist the analyses of the GATT documentation on Apartheid South Africa, this research will draw mainly on the theoretical insights of constructivist writers: Mark Blyth (2002) and John Ruggie (1992, 1994, 1998) on the ‘role of ideas’, and on the critical theorist Robert Cox (2002, 2013) on the ‘role of history’ in international relations and international political economy. Cox’s work provides both the analytical tools to critically examine the ideas that informed Apartheid South Africa’s trade and industrial policies domestically, and its role in the GATT. The work of Mark Blyth (2002) sets out a path-breaking approach to the study of ideas. It builds on the work of Karl Polanyi (1944) and Ruggie (1992). In Chapter 3, Blyth’s model of institutional transformation is applied to the historical evolution of South Africa’s trade and industrial policies. South Africa is an ideal case study for the application of Blyth’s model of institutional transformation.

However, Blyth’s theoretical framework does not extend to the multilateral level and thus does not help to explain the contradictions between the ideas and practices of developed countries in the GATT. Ruggie’s work on ideas and multilateralism and his concept of ‘embedded liberalism’ to describe the post-war multilateral economic institutions, including the GATT, is amongst the most influential in the academic literature (Mazower, 2012). But, while Ruggie’s work is helpful in setting out the main ideas that drove the creation of the GATT and that became its core principles, his analytical work on the
multilateral trading system is incomplete and will need to be extended by using the insights of the revisionist writers.

To help understand the contradictions that are observed in the GATT documentation on the role of Apartheid South Africa this research has drawn on a range of writers that help extend the analytical frameworks of Blyth and Ruggie. These include the work of revisionist historians of multilateralism such as Mark Mazower (2009, 2012) and the recent revisionist historians of the GATT. The latter have drawn our attention to a rich record of the early history of the GATT, works which are valuable to help us understand the contradictions observed in the GATT documentation on the attitude and behaviour of South Africa and developed countries in the GATT.

These writers conclude that there was a gap between the professed ideals of the multilateral trading system, discussed by Ruggie, and the actual practices of developed countries in the GATT. Wilkinson argues that the very nature of the architecture of the GATT exacerbated the existing imbalance between the developed and developing countries (Wilkinson, 2006). The revisionist history of the GATT has thus sought to both refute the claims of orthodox historians of the GATT, and expose the gap between the professed ideals and practices of the developed countries in the GATT. This enhanced framework is thus used to analyse the GATT documentation on South Africa.
5. The organization of the study

Following the introduction, Chapter 2 discusses the theoretical approaches that the study draws on to illuminate and contribute to the analysis of the role of Apartheid South Africa in the GATT. This includes a discussion of the constructivist school of writers on the role of ideas and writers of the critical theory tradition on the role of history. Ruggie’s theoretical conceptualization of the multilateral trading system as embedded liberalism is discussed critically. It is argued that while Ruggie provides useful analytical tools to analyse the use of ideas and the multilateral trading system, this concept does not account for the contradiction that while developed countries propagated their support for the ideas and principles of multilateralism, they deviated from these ideas in practice. His analytical framework is extended, by drawing on insights from revisionist historians of multilateralism, revisionist historians of the multilateral trading system, and the early historians of the GATT.

Chapter 3 provides an overview of the trade and industrial policies of South Africa from the beginning of the 20th Century to the end of the apartheid era. Blyth’s analytical framework on institutional transformation and the role of ideas is applied to the case of South Africa. It is argued that in this context Blyth’s model reflects the continuous movement of history; from the application of ideas of ‘state intervention’ applied by Paul Kruger (in the 1880s and 1890s); to the ideas of ‘free trade’ supported by the Botha-Smuts government (between 1910 and 1924), and then; a strong shift to ‘industrial development’ by the ‘Pact’ government (from 1924 to 1933) that became a pillar of the apartheid government (from 1948 until 1994). In addition, the global trend towards the ideas of ‘neo-liberalism’ in the late 1980s and early 1990s influenced the South African regime as it sought a way out of the political and economic crisis of apartheid. Thus it is argued that South Africa provides a good case study for Blyth’s model of institutional transformation and the role of ideas. This background provides a useful context for the analysis undertaken in Chapters 4, 5, 6 and 7 on the GATT documentation on South Africa from 1947 to 1994. However, it is argued that Blyth’s model does not help us understand the contradictions of South Africa’s behaviour in the GATT as his framework of analysis does not extend to the multilateral level.
Chapter 4 analyses the empirical documentation on the development status of South Africa in the GATT through the use of two questions: a) How did Apartheid South Africa perceive its development status in the GATT? and; b) how did South Africa treat other developing countries in the GATT? It concludes by arguing that Apartheid South Africa held a vision of its role in the world that was based on a narrow ‘collective self-concept’ that reflected the interests, norms and values of the white population rather than that of the majority of the people of South Africa.

Chapters 5, 6 and 7 are periodised respectively as follows: ‘Grand Apartheid’ (1947-63), the ‘Golden Age’ (1964-79), and ‘Crisis and Reform’ (1980-94). In addition to the purely practical purpose of breaking up the period of study into more manageable, roughly 16 year periods, the reason for this breakdown is due to the changing economic and political landscape in South Africa that has become associated with each of these three different historical periods. The analysis of the GATT documentation in Chapters 5, 6 and 7 is twofold. First, each chapter discusses the question spelt out above on how South Africa was able to maintain its protectionist trade and industrial policies domestically while adhering to the ideas and principles of the GATT on ‘freer and more open trade’, ‘non-discrimination’ and ‘reciprocity’. Secondly, each chapter also discusses the question arising from the GATT documentation as to why the developed countries continued to propagate the ideas and principles of the GATT while deviating from these ideas in practice vis-à-vis South Africa. In each case it is argued that the GATT documentation provides evidence for the view that there was an inconsistency in the ideas and practices of both South Africa and the developed countries in the GATT. In each case they were to profess their support for the ideas and principles of the GATT while at the same time pursuing trade and industrial policies domestically that deviated from these ideas and practices.

The concluding Chapter 8 summarises and integrates the findings of the study on each of the three questions set up above. The study argues that the analytical frameworks of Blyth and Ruggie, while providing this research with very useful theoretical concepts to discuss the GATT documentation, are incomplete as they do not account for the inconsistency between the ideas and practices of South Africa and the developed countries in the GATT. This study thus extends their analytical frameworks by drawing on the insights of critical
theorists (Cox, 2002, 2013); historians of the multilateral system (Mazower, 2009, 2012); the early historians of the GATT; and more recent revisionist writers of the multilateral trading system. Before proceeding to Chapter 2 this chapter highlights the important contributions that this research makes to the academic literature.

6. Contribution of the study: Why is it important?

This study seeks to make three important contributions to the study of international political economy and global governance. First, Professor Bill Freund has commented in a recent article that while much of the academic work on Apartheid South Africa has tended to focus on the ‘State-Capital relationship’ this has been at the expense of more focused studies on the trade and industrial policies of the country (Freund, 2013). While there are several studies on the early history of South Africa’s industrialisation (Kaplan, 1976; Clark, 1994) there are relatively few works on the apartheid period (Fine and Rustomjee, 1996). This study provides a detailed analysis of previously unavailable documentation and insights from the GATT archives on Apartheid South Africa’s trade and industrial policies that reveals the systematic use of trade and industrial policy instruments to advance South Africa’s economic development.

Second, while there has been some debate in the South African media on the development status of Apartheid South Africa in the GATT, this discussion has lacked a strong empirical base (Hirsch, 2005). The data I have examined contributes to both the ongoing debate and provides new insights on South Africa’s development status in the GATT. It reveals that Apartheid South Africa saw itself as a ‘developed’ country and positioned itself as such in the GATT. Third, the role South Africa has played in the GATT negotiating rounds has not been discussed in the academic literature, except for a cursory examination of the latter part of the Uruguay Round (Hirsch, 2005). This study provides the most comprehensive analysis of the history of South Africa in the GATT from the first GATT round in 1947 to the final Uruguay Round (1986-94). It reveals that South Africa was an active member of the GATT from its inception in 1947 until the end of apartheid in 1994. It argues that while South Africa professed its commitment to the GATT ideals of trade liberalisation, non-discrimination and reciprocity, it tended to behave in a similar manner as the developed countries in the GATT in practice. The practice of the developed countries in the GATT,
it is argued, tends to be characterised by the tendency towards protectionism, discrimination and exclusion of developing countries.

In the next chapter the theoretical framework that helps to analyse the GATT documentation is elaborated.
Chapter 2: The Role of Ideas and History in International Relations

1. Introduction

South Africa was a founding member of the GATT in 1947. The white minority government at the time considered South Africa to be a developed country. This position was further entrenched by the apartheid regime that came into power in 1948. In his first major statement on the WTO delivered on the occasion of the 50th Anniversary of the GATT, President Nelson Mandela declared his commitment to the multilateral trading system (Mandela, 1998). He reminded the audience that although South Africa had been a member of the GATT since its inception, when ‘the vast majority of South Africans had no vote’, the new South Africa was committed to work for a ‘rules based’ multilateral trading system that was ‘just’. Mandela argued for a strengthened multilateral trading system that was fair, balanced, inclusive and development orientated.

In an earlier paper in *Foreign Affairs* Mandela explained that addressing the deep-seated development challenges of South Africa is to be the driving force of its foreign policy. In particular he set out the need to address ‘severe poverty, and extreme inequality in living standards, income and opportunity’ (Mandela, 1993). Thus Mandela’s approach to the WTO and the GATT before it was to underline the importance of both ideas and history in understanding the role of the GATT and the WTO. Mandela’s remarks reveal that ideas and historical interpretations of past policies and practices are thus central to understanding ‘what happened and why’. Mandela’s remarks resonates with an approach, deeply rooted in the academic literature on political economy, that can be found in the work of the critical theorist, Robert Cox, and the historical work of E. H. Carr (discussed below). It is for this reason that this thesis builds its theoretical framework on both the ideational and historical academic literature on multilateralism and the GATT.

An examination of the GATT archival documents on the role of South Africa in the organisation has raised three significant questions that can be expressed as follows: a) why
did Apartheid South Africa project itself as a developed country in the GATT from its formation in 1947; b) how was Apartheid South Africa able to implement its domestic protectionist and discriminatory policies and still abide by the principles and agreements of the GATT at the same time; and c) why did the major players in the GATT deviate from its ideas of ‘freer and more open trade’, ‘non-discrimination’ and ‘reciprocity’, in the case of South Africa? This chapter argues that the theoretical work that best helps us analyse and understand these concerns is that on the role of ideas and the role of history. The role of ideas in international policy making has often been understated. Yet ideas have been a crucial part of the history of South Africa’s trade and industrial development. Ideas have also been a crucial part of the formation and development of the multilateral trading system and the GATT. It is for this reason that this study will draw on the theoretical literature on the role of ideas. The body of literature that best addresses these concerns is that of constructivism (Emmerij et al., 2001). The discussion in this chapter draws largely on the theoretical work of constructivist writers (Blyth, 2002; Ruggie, 1992, 1994, 1998) on the role of ideas. The theoretical conceptualisation of the GATT focuses on the work of John Ruggie, one of the most influential theorists on the multilateral trading system. However, ideas cannot be properly understood ‘if divorced from their historical and social context’ (Emmerij et al., 2001: 9). Critical theory helps us to critique the conceptualisation of constructivist writers and also underlines the importance of the role of history. The seminal insights of Cox will thus be drawn on.

While most orthodox historians of the GATT (Bhagwati, 2002; Srinivasan, 1998; Hoekman and Kostecki, 1995; Martin and Messerlin, 2007) generally acknowledge that the GATT failed to address the development needs of developing countries, they have ascribed this mainly to: a) the passive and defensive role of developing countries in the GATT; b) the lack of participation of developing countries in the exchange of concessions; and c) the focus of developing countries on Special and Differential Treatment for developing countries as their main objective. This perspective has become the conventional wisdom in the academic literature and has shaped the perspectives of contemporary students of the GATT.
However, research undertaken by revisionist historians of the GATT on the role of developing countries have argued that these observations do not do justice to the active role developing countries played in shaping the architecture of the organisation by continuing to assert their demands; for increased market access for products of export interest to developing countries; and for the special needs and interests of the developing countries to be provided for in the GATT (Wilkinson, 2006, 2014; Wilkinson and Scott, 2008). The revisionist historians also argue that the orthodox perspective fails to recognise that in the early rounds of the GATT the developing countries were excluded from participation by the insistence of the US and the European Economic Community (EEC) on the principal supplier rule, the exclusion of internal taxes and quotas that effectively excluded tropical products from the negotiations, and by the principle of reciprocity.

These revisionist historians have helped this research to revisit the work of the early historians of the GATT and thus rebut the assertions made by the orthodox historians on the role of developing countries in the organisation. However, the work of the revisionist historians of the multilateral trading system does not extend to critiquing the theoretical work of constructivist writers, such as Ruggie, on the multilateral trading system. This thesis therefore draws on the work of the early historians and revisionists to critique the theoretical work of Ruggie on the system.

This chapter thus seeks to make a contribution to the academic literature by extending the theoretical frameworks provided by both Mark Blyth and Ruggie on the role of ideas and rebutting the assertions of the orthodox writers on the history of developing countries in the GATT. This extended framework of analysis is then applied to help us analyse the GATT documentation on South Africa. The analysis of this documentation will be discussed further in Chapters 4, 5, 6 and 7 utilising this enhanced framework of analysis. The focus of the current chapter is on the theoretical framework required to discuss and analyse the three questions raised above.

The chapter is organised as follows: section 2 focuses on the main contributions of constructivist writers on the role of ideas in international relations. This section then elaborates the main ideas of Ruggie’s characterisation of the multilateral trading system. It is argued that Ruggie’s analysis is incomplete, as it does not account for the contradiction
that developed countries adopted one set at the domestic level and another set of economic ideas in the multilateral trading system. Some selected insights that are useful to this study are discussed from the works of Cox, one of the most influential writers on critical theory. These insights on the importance of the role of history in international relations theory will be elaborated below, as this will assist the analysis.

In section 3, Ruggie’s theory of ‘embedded liberalism’ will be critiqued together with the three main ideas that he advances as being central to the multilateral trading regime: freer and more open trade; non-discrimination and reciprocity drawing on the insights of the critical theorists (Cox, 2002, 2013); revisionist historians of the multilateral system (Mazower, 2009, 2012); the early historians of the GATT (Wilcox, 1949; Gardner, 1956; Curzon, 1965; Patterson, 1966; Kock, 1969); and the more recent revisionist historians of the multilateral trading system, (Wilkinson, 2006, 2014; Wilkinson and Scott, 2008). The contradiction between ideas and practices is discussed in the case of each of the three main ideas of the GATT elaborated by Ruggie. It is argued that while developed countries promoted the idea of freer and more open trade, and the GATT principles of non-discrimination and reciprocity, their practices domestically often deviated from this whenever their interests diverged from these ideas and principles.

The conclusion argues that while Ruggie offers a useful framework to analyse the role of ideas in the multilateral trading system, his theory of embedded liberalism is incomplete and does not account for the contradictions in the practices of developed countries in the GATT. It is argued that to contribute to extending the analytical frameworks of both Blyth and Ruggie the insights of critical theorists, revisionist historians of the multilateral system, the early historians of the GATT and more recent revisionist writers of the multilateral trading system need to be drawn on. This extended theoretical framework will be used to help analyse and illuminate the three questions set out above.

2. The role of ideas and history in international relations

The approach to theory adopted by constructivist writers (Ruggie, 1992, 1994, 1998; Blyth, 2002) is not an elaboration of a comprehensive theory but an approach to the study of international political economy that has gained in influence in recent years (Reus-Smit,
The differences between different strands of constructivism have been identified and discussed by Ruggie and shall not be elaborated here (Ruggie, 1998: 35). There are, however, a few important approaches to the study of the international relations/international political economy that constructivist writers have begun to elaborate. These include a concern with the role of ideas. As this study is concerned with the multilateral trading system we discuss the theoretical work of Ruggie, one of the most influential writers on the GATT. His contribution to the work on the role of ideas is first discussed. His characterisation of the multilateral trade regime as embedded liberalism is then elaborated and it is argued that this work helps us gain insights into the ideas and working of the multilateral trading system. However, it is argued that Ruggie’s analytical work does not account for the inconsistency in the ideas and practices of South Africa and the developed countries in the GATT. This section also sets out the main ideas of critical theory based on the work of Cox. It is argued that his insights help us to critically examine the theoretical frameworks of the constructivist writers discussed below. Cox also underscores the need to address the role of history in international relations. His insights on the role of history will also be elaborated. The role of ideas in international relations is first discussed.

The role of ideas

While this discussion focuses on the work of more recent constructivist writers, such as Ruggie and Blyth in developing the theory on the importance of ideas in economic transformation and international relations, its’ importance has been recognised by earlier theorists. John Maynard Keynes concluded his famous book, *The General Theory of Employment, Interest, and Money* (1936) with the sentence: ‘But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil’. The work of Ruggie, however, has been influential in developing the constructivist school’s perspective on the role of ideas in international relations. While earlier writers from the ‘neo-liberal’ and ‘neo-utilitarian’ schools, such as Judith Goldstein and Robert Keohane (1993), have been credited for ‘bringing ideas back’ into the study of international relations, Ruggie argues that they do so in a manner that treats ideas and ideational projects in a ‘casual manner’. Ruggie states that while Goldstein and Keohane criticise the rationalist explanations for
treated ideas as ‘unimportant or epiphenomenal’, their own explanations also suffer from the ‘pull of utilitarianism’ (Ruggie, 1998: 17).

Goldstein and Keohane have distinguished between three types of beliefs: worldviews, principled beliefs and causal beliefs (1993: 8). Ruggie states that in their discussion of world views, Goldstein and Keohane simply assume the dominance of the ‘modern western world view’ (1998: 18). Thus he argues that these writers simply dismiss ideas such as ‘state identities’. Ruggie also argues that neo-utilitarianism does not explain how the constituent actors, that is, the territorial states, came to acquire their identity and the interests that are assumed to go along with it. He argues that the identity of a state can change and pull its interests along (for example, Germany and Japan after the Second World War, and the Soviet Union after Gorbachev became leader). He states that there is growing empirical evidence that normative factors (domestic and international) in addition to states’ identities shape their interests or their behaviour (Ruggie, 1998: 14).

In Chapter 4 of this study, Ruggie’s theory of state identity will be drawn on to help us analyse why South Africa assumed the identity of a developed country in the GATT. Ruggie argues that the neo-utilitarian writers such as Goldstein and Keohane do not consider ‘constitutive rules’, i.e., that society is embedded in social rules, but take these for granted or ignore them (Ruggie, 1998: 23). Constructivist writers such as Ruggie have tried to explain these social rules. Ruggie argues that ‘social facts’ are constituted by a combination of individual facts, via social interactions, and thus account for beliefs such as religious beliefs and moral norms, which then influence behaviour (ibid: 29). Ruggie thus quotes with approval the words of Max Weber, who argues that; ‘we are cultural beings – endowed with the capacity and the will to take a deliberate attitude towards the world and to lend it significance’ (ibid: 30).

Thus Ruggie argues that constructivist writers hold the view that the building blocks of international reality are ideational as well as material; that ideational factors have normative as well as instrumental dimensions and express themselves not only as individual but also collective intentionality (ibid: 38). Ruggie has helped to make a valuable contribution to the study of international relations by underlining the critical role of ideas. The work of Blyth (2002) has built on this. His analytical work is discussed further
in Chapter 3. Ruggie is known much more for his work on the conceptualisation of multilateralism. It is to this subject that the discussion now turns.

**Ideas and multilateral trade**

John Ruggie is the most influential writer on the ‘ideas’ that were to drive the process of building the post-Second World War multilateral institutions, including the GATT. His views and analysis helps us understand the use of ideas in the multilateral trading system, and to illuminate the discussion in coming chapters on the role of Apartheid South Africa in the GATT. However, it is argued that his theoretical work is incomplete, as it does not account for the inconsistency in the ideas and practices of the developed countries in the GATT. In his seminal article ‘Multilateralism: The Anatomy of an Institution’, Ruggie (1992) states that at its core, multilateralism refers to coordinating relations among three or more states in accordance with certain principles’ (ibid: 568). What precisely are those principles? Firstly, he states that the principle of ‘most-favoured-nation’ (MFN) treatment is a classic example in the economic realm. Comparing the GATT MFN treatment with so-called ‘Schachtian’ Bilaterals (driven by Hitler’s Germany), he states that the difference is that within the GATT bilaterally negotiated tariff reductions are extended to all other parties on the basis of MFN treatment, whereas the ‘Schachtian scheme was inherently and fundamentally discriminatory so that bilateral deals were held on a case-by-case and product-by-product basis, even if they covered the entire globe in doing so’ (ibid: 569). Secondly, he quotes with approval the concept of ‘diffuse reciprocity’ coined by Keohane, that speaks of ‘rough equivalence in the aggregate over time’ as opposed to ‘the specific reciprocity of bilateralism’, as a second important principle of multilateralism in trade. Ruggie argues that the United States, particularly the State Department, was the prime mover behind multilateralism in trade in the post-Second World War period. The US he argues thus enshrined the principles of non-discrimination and reciprocity as a code of conduct in the multilateral trading system that was to emerge after the war.

In another influential article, ‘Embedded Liberalism and the Postwar Economic Regimes’, Ruggie refers to the US approach to multilateralism as that of the ‘embedded liberalism compromise’ which he describes as follows: ‘unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and
free trade, its multilateralism would be predicated upon domestic interventionism’ (Ruggie, 1998: 72). Ruggie explains that the article was a reaction to the assertion by neo-liberals that the liberal character of postwar regimes, attributed to American hegemony, was in decline. He defends the liberal character of the postwar trade regime. Ruggie compares the rise and fall of the British Empire in the 19th Century, associated with laissez-faire, with that of US hegemony in the post-Second World War period, which he argues is characterised as embedded liberalism. This latter concept was theorised in the work of Karl Polanyi, who argued that, ‘normally, the economic order is merely a function of the social, in which it is contained’ (Polanyi, 1944: 71).

Polanyi argued that during the 19th Century there was a shift towards the ideology of ‘free trade’ in Europe, led by Great Britain. Polanyi stated that markets became ‘disembedded’ from society in Europe during the 19th and early 20th Centuries. The struggle by labour to avoid the strictures of the market in the United States and Europe in the 1930s created the conditions for the re-embedding of the market (Blyth, 2002: 4). It is this ‘social compromise’ between business and labour in the 1930s that led to the ‘embedded liberalism compromise’ that Ruggie refers to in his article above (1998: 72). Ruggie’s reply to his critics that observed a ‘new protectionism’ in the 1970s was that this ‘observed change has been at the level of instrument rather than norm’ (ibid: 83). Ruggie thus implores us to look to these underlying norms – those of embedded liberalism – to understand the ideas and norms of the multilateral trading system.

What were these norms or core ideas of the post-Second World War trade regime? While trade liberalisation, or tariff reduction, was regarded as one of the main functions of the multilateral trade organisation, Ruggie describes the prevailing atmosphere in the United States in the 1940s as that which supported tariff reduction but was ‘subject to domestic constraint’ (ibid: 75). Ruggie suggests that the ideology of free trade which prevailed in Europe at the turn of the century was not very popular in the period immediately after the Second World War. Ruggie argues that for the United States, the main architect of the multilateral trade regime that emerged after the war, multilateralism was to be associated
with more open trade subject to domestic constraints and based on the principles of non-discrimination and reciprocity.

Thus it can be argued that the idea of multilateral trade in the postwar period became associated with three main ideas or concepts: freer and more open trade, non-discrimination and reciprocity. These ideas expressed by Ruggie as embedded liberalism became associated with the idea of multilateralism in trade and were to gain wide currency (ibid: 62). It is for this reason also that this analytical framework is critically discussed here as it is crucial to our understanding of both South Africa’s trade practices domestically and its adherence to the ideas and principles of the GATT, and the trade practices of the developed countries domestically and their adherence to the ideas and principles of the GATT. This issue is explored in section 3 below.

Before this there is a discussion of the main ideas of critical theory that help us critique the constructivist theory on the role of ideas, and Ruggie’s theorisation of the multilateral trading system. Cox’s work on critical theory is examined, as his work broadens the scope of our thinking on the role of ideas developed by Ruggie. He also underlines the need to bring a historical perspective into our analysis of multilateralism. It is argued below that his insights can help extend the theoretical work of Ruggie and can help explain the reasons for the inconsistency in the ideas and practices of both the developed countries and South Africa in the GATT.

**Critical theory and the role of history**

Cox is the most influential writer on critical theory. In his most recent essay on critical theory there are perhaps five main ideas that could be identified in his approach to social science and international relations: a) critique of positivism; b) a more holistic approach to problem solving; c) the inherent bias of theory; d) change and transformation over time; and e) historical process (Cox, 2013). First, he points out that during the European Enlightenment, writers such as Thomas Hobbes and Jean-Jacques Rousseau, asserted that human nature was universal and unchanging in time and space, and that political truths
could be deduced from this construction. During the 19th Century this attitude towards science came to be called positivism. Cox criticises the positivist approach to social science that, he argues, is ahistorical and that ‘disembeds’ the social context from analysis (ibid).

Second, Cox distinguishes ‘problem-solving theory’ from ‘critical theory’. He argues that the purpose of the former is ‘to help solve the problems presented in the realities immediately confronted’ while the purpose of the latter is to ‘search for a theoretical perspective that would comprehend how the present world has come about and what forces are at work transforming it’. Critical theory in Cox’s view adopts a more holistic approach to theory as ‘it is directed to the social and political complex as a whole rather than to its separate parts’.

Third, Cox is also concerned to expose the inherent bias of theory. He thus argues that, ‘all theories have a perspective’ and that ‘all theories derive from a position in time and space’. He offers the insightful phrase: ‘theory is always for someone and for some purpose’. In his view there is ‘no such thing as theory in itself, divorced from a standpoint in time and space’ and ‘when any theory so represents itself, it should be examined as ideology so as to lay bare its concealed perspective’. Fourth, Cox, argues that ‘critical theory is a way of thinking about development and change over time’. Critical theory, he writes is ‘most concerned about change over time’, that is, ‘it is concerned with understanding the thought, reasoning and emotion that “makes” history’. Thus, Cox states that critical theory is ‘theory of history in the sense of being concerned not just with the past but with a continuing process of historical change’ (ibid).

In his earlier work, at least three main strands of thought can be found that help us in our analysis of the GATT documentation of South Africa. First, Cox argues that, ‘theory evolves through controversy among distinct views of reality, each a particular perspective in time and space’. He argues further that, ‘two principal factors shape theory. One is the objective movement of history, which is continually throwing up new combinations of forces that interact with one another. The other is the subjective perception of those who contemplate these forces with a view to understanding and acting upon the movement of history’ (Cox, 1996: 87). Cox states that, ‘there is always a subjective element in a dialectical relationship between the analyst and the objective of analysis. History shapes
the consciousness and perceptions of the analyst; and the analyst’s mind shapes its mode of apprehending the movement of history’ (Cox, 2013).

Second, Cox argues that ‘as between different civilised values, active pretensions of universality are ultimately reducible to power’ (Cox, 2002: 59). What E. H. Carr wrote in 1946, he states is still appropriate: ‘theories of social morality are always the product of a dominant group which identifies itself with the community as a whole, and which possesses facilities denied to the subordinate groups or individuals for imposing its view of life on the community’. He argues that ‘[t]heories of international morality are, for the same reason, and in virtue of the same process, the product of dominant nations or groups of nations’ (ibid: 61).

Third, Cox is also critical of neo-realism, in which ‘states, balance of power, Hobbesian power-seeking man, and the contractual basis of polity were presumed to be eternal interrelated components of world order’ (ibid: 78). He differentiates the realism of E.H. Carr (who initiated the modern study of international relations), which, he argues, had a much broader and more open understanding of power in world affairs. He argues that Carr was sensitive to economic and social structures, culture and ideology, and saw states not as a series of like entities (the state), but as historically differentiated forms of political authority. He argues that returning to Carr’s realism is a first step towards escaping from the ahistorical confines of neo-realism (ibid: 78).

Cox’s insights are discussed further below to assist us in critically evaluating the theoretical models of Blyth and Ruggie and to help provide us with an explanation for the inconsistency in the behaviour of both South Africa and the developed countries in the GATT. In particular Cox’s insights on the need to be cautious about ‘actual pretension of universality’, as this is often related to the power of dominant groups, helps us understand the reasons for the tendency of both South Africa and the developed countries to profess their support for the ideas and principles of the GATT, while deviating from them in practice.

These contradictions between the ideas advanced by Ruggie, as the main pillars of the multilateral trading system, and the practices of the major powers in the GATT are
discussed in the next section. The analysis draws on the insights of critical theorists and historians of the multilateral system. It is argued that recent revisionist historians of the multilateral system and the trading system, in particular, have helped to build on the work of the early historians of the GATT. Their explanations of the history of the multilateral system offer us a richer context to help explain the contradictions between the ideas and practices of the GATT observed in the GATT documentation on South Africa (discussed in Chapters 5, 6 and 7).

3. Contradictions between ideas and practices in the GATT

This section argues that the analytical frameworks on the role of ideas by Ruggie and his conception of the main ideas that were to drive the multilateral trading regime do not account for the contradictions in the behaviour and attitude of South Africa and the developed countries in the GATT. It is argued here that Ruggie had failed to make the distinction between the assertion of these norms and ideas by the leading power, namely the United States, and the application of these ideas in practice. The discussion of the empirical documentation in Chapters 5, 6 and 7 argues that both South Africa and the developed countries continued to express their support for the ideas and principles of the GATT, while they deviated from these ideas and principles in practice. It is argued that Ruggie’s theoretical framework on multilateralism needs to be extended to account for the contradiction in the behaviour of both South Africa and the developed countries in the GATT. Thus in order to provide a fuller explanation for this, the insights of critical theorists; historians of the multilateral system, the early historians of the GATT, and more recent revisionist writers of the multilateral trading system are discussed. The insights offered by these writers are drawn on to critically discuss each of the three main ideas that Ruggie has advanced as being central to the multilateral trade regime that emerged after the Second World War: freer and more open trade, non-discrimination and reciprocity. These ideas are discussed in turn below.
The idea of freer and more open trade and its practice

At the time of the negotiations for a multilateral trade organisation in the late 1940s, Jacob Viner, a leading American economist, was to observe that hardly anyone believed in ‘free trade’. He expressed this as follows: ‘There are few free traders in the present-day world, no one pays attention to their views, and no one in authority anywhere advocates free trade’ (Ruggie, 1998: 75). Ruggie was to argue that what emerged in the multilateral trade regime was a compromise between the more orthodox believers of free trade in ‘New York financial circles’ and the protectionism of the interwar years (ibid: 72). This compromise was in favour of freer and more open trade that Ruggie argues became one of the core ideas of the GATT. Ruggie’s concept of embedded liberalism was intended to capture this compromise. This concept thus builds on the work of Polanyi (1944) and then further elaborated by Blyth (2002) in his model of economic transformation (discussed in Chapter 3). Ruggie (1998) extends this concept, which was used by both Polanyi and Blyth to explain domestic transformation, to the multilateral trading system. However, neither Blyth nor Ruggie focus on free trade as an economic idea that was used to advance economic interests at the international level and in the multilateral trading system.

Here we focus on the use of the idea of free trade to advance economic interests. It will be argued that similar to the experience of the UK, which had propagated the idea of free trade and open markets around the world when it was economically strong, the United States was to also propagate the idea in the multilateral trading system to advance its interests after the Second World War, when it became the strongest economy in the world. It will be argued that this is a more plausible explanation for the attitude of the United States in the GATT, than that of embedded liberalism. It is argued that embedded liberalism is a useful concept to describe the development of the domestic compromise that evolved in the 1930s and 1940s in the United States, but is not an adequate description of the multilateral trading system that emerged after the Second World War. The concept of free trade is used here to express an ideological belief, rather than an absolute objective of its proponents. In practice the major players in the GATT were to subscribe to the idea of freer and more open trade.
Secondly, it will be argued that while the US propagated the ideas of freer and more open markets and free trade in the GATT, it continued to protect its sensitive economic sectors, such as textiles and agriculture, in favour of ‘domestic stability’ in accordance with embedded liberalism (Wilkinson, 2006, 2014). As Rorden Wilkinson has argued, ‘while the United States was willing to liberalise trade in those sectors where it could accrue economic gain (and where it faced little competition), it was not willing to do the same in areas of political and economic sensitivity’. This ‘liberal-mercantilist approach’ Wilkinson argues, ‘particularly with regard to agriculture, became the cornerstone of the GATT’ (Wilkinson, 2014: 19). In the experience of many developing countries, this attitude of protectionism in the GATT on the part of the United States and other developed countries was perceived as ‘double standards’ (Patterson, 1966: 187). It is thus argued that embedded liberalism does not account for this contradiction in the use of ideas.

Polanyi (1944) argues that contrary to economic orthodoxy, the arrival of laissez-faire in the early 19th Century was neither inevitable nor the result of an evolutionary process. According to Polanyi, it was the product of deliberate state policy (ibid: 32-70). Prior to the adoption of the idea of free trade by the British government in the mid-to late 19th Century, Britain had been a pioneer in applying policies of state intervention and trade protectionism to develop its industries itself, according to 19th Century German economist Friedrich List (1789-1846). He is commonly known as the father of the ‘infant industry’ argument that in the presence of more developed countries, backward-countries cannot develop new industries without state intervention, especially tariff protection (Chang, 2002: 3). List believed that Britain was actually the first country to perfect the art of infant industry protection. He argued that free trade is beneficial among countries at similar levels of protection but not between those at different levels of development (ibid: 4). List has observed that: ‘It is a very common clever device that when anyone has attained the summit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing up after him’ (ibid: 4). Britain had very high tariffs on manufacturing products as late as the 1820s, some two generations after the start of its industrial revolution (ibid: 22). Britain was to also ban the import of superior products from some of its colonies if they threatened British industries. Thus Chang points out that ‘in 1700 a ban was imposed on the imports of superior Indian cotton products debilitating what
was then arguably the world’s most efficient cotton manufacturing sector’, and by 1873, ‘it was estimated that 40-45 percent of all British cotton textile exports went to India’ (ibid). However, by 1815 after the Napoleonic Wars, increasingly confident manufacturers were to apply pressure for free trade in Britain (ibid: 23).

The big change in England was to come only when the repeal of its Corn Laws in 1846 led to freer trade in corn. This event was regarded as the launch of free trade policies in Europe (ibid). A radical member of parliament, Richard Cobden, led the campaign for free trade in Britain on behalf of a coalition of merchants, manufacturers, workingmen and journalists. ‘Commerce’, stated Sir Robert Peel, who presided over the repeal of the Corn Laws, ‘was the happy instrument of promoting civilization, of abating national jealousies and prejudices, and encouraging the maintenance of general peace’ (Mazower, 2012: 39). Now that Britain had led the way it remained to enlighten other nations and get them to follow suit and Mark Mazower records that, ‘the door into other people’s economies was soon being forced open by British diplomats, backed by gunboats, everywhere from West Africa to Istanbul and Peking’ (ibid: 42). The preferred method of advancing these treaties was through bilateral means even if the Ottomans and Chinese did not want them. ‘Free Trade’ thus became the ideology of internationalism (ibid). The Cobden-Chevalier (UK and France) Treaty of 1860 had included an MFN clause, and was to catalyse free trade throughout Europe.

However, protectionism was to return to Europe after the next two decades. After 1879 Germany became the nodal point of protectionism in Europe until the First World War (Curzon, 1965: 18). French protectionism in agriculture increased against US wheat. Mazower argues that the rise of powerful rival alliance systems after Germany’s emergence in 1871, and the frenzied land grab in Africa and Asia after 1882, shattered free trade’s universal pretensions and protectionism spread throughout the world (Mazower, 2012: 47). Ironically, Mazower argues, while ‘the British Empire was seen as a bastion of free trade, in a world of rival trading blocs, within Britain, to everyone else tariff reform preached by Britain looked like a self-serving doctrine tailored to Britain’s temporary economic advantage’ (ibid).
The United States too, like Britain, was to adopt policies based on the idea of free trade only when it became globally competitive, and needed to open global markets in the mid-to-late 1930s. Prior to this it was regarded as ‘the bastion of protectionism’ (Chang, 2002: 24). It was Alexander Hamilton, the first US secretary of the Treasury (1789-95), who first systematically set out the infant industry argument (Jolly et al, 2004: 25). He argued that competition from abroad would mean that new industries would not be started in the US unless their initial losses were guaranteed by government aid, through import duties and even prohibition on imports (Chang, 2002: 25). He called for an extensive system of infant industry protection and subsidies. Thus after the US war with Britain in 1812 all tariffs were doubled, and the average US tariff for all manufactured products in 1820 was around 40 percent (ibid: 26). Thus the United States not only followed the policies of Alexander Hamilton but also was to remain for a century and a half, until World War II, the world’s most heavily protected economy (Jolly et al., 2004: 26).

On the eve of the First World War all the European powers – the UK, Germany and France – and the US were moving away from free trade towards protectionist policies. The outbreak of war in 1914 completely disrupted the existing network of trade and commercial treaties and the period between the wars was highly protectionist (Curzon, 1965: 23). In 1930, the US Smoot-Hawley Act increased protection and led to retaliation worldwide. In September 1931, Britain abandoned the gold standard, causing instability in exchange rates worldwide. Wilcox (1949) was to comment of this period, ‘the foundations of economic liberalism, badly shaken by the First World War were all but demolished by the Great Depression’. The UK abandoned free trade and adopted the Commonwealth System of Imperial Preferences (ibid: 7). It was in this context that Cordell Hull, who became Secretary of State to President Franklyn D. Roosevelt, pushed for the creation of the US Reciprocal Trade Agreements Act in 1934, which sought to increase exports by using an MFN clause, which could generalise these concessions. Cordell Hull, Wilcox argues, thus believed the United States should lead the drive towards free trade internationally.

The shift by the United States to becoming an ardent proponent of free trade policies internationally in the post-Second World War period, it is argued by several writers, was a ‘conscious act of state policy’ (Kock, 1969; Wilcox, 1949). Karin Kock argues that in all
wartime debates in the US and in the preparations by the American Administration for an agreement on international trade cooperation there was a general consensus that international trade policy ought to be based on the principles of free enterprise and free trade (Kock, 1969: 270). Why did the US become such an ardent supporter of free trade policies? The main rationale for this can be found in the growing economic prowess of the United States, which, according to Wilcox (1949), at the end of the Second World War accounted for a third of the world’s production and for more than half of its output of manufactured goods. In 1947 the US accounted for one third of world exports, and only one tenth of world imports (ibid: 10). Wilcox went on to describe the motivation for the more open trade policies of the US after the war as follows: ‘In manufactured goods, we sold five times as much as we bought. In services we sold three times what we bought. In foodstuffs, we sold a third more than we bought’ (ibid: 11). Wilcox observed that as a consequence other nations were unable to earn the dollars with which to pay for the quantities of goods and services that the US supplied to them, creating a dollar shortage. He argues that this situation made it necessary for other nations to restrict their imports. It is for this reason, he argued, that the US decided it should promote the reconstruction of Western Europe and create an institution that would promote and safeguard the liberalisation of trade. Wilcox thus summarised US trade policy after the War as ‘the expansion of trade, by private enterprise, multilaterally rather than bilaterally, and on a non-discriminatory basis, with stabilization policies being consistent with trade policies and the international cooperation to advance these principles’ (ibid: 13).

Viewed in this context, the argument by Ruggie that the policies of embedded liberalism adopted by the US domestically, were also applied to the multilateral trading system is not convincing. In the context of US economic supremacy after the Second World War the tendency of the US to protect its sensitive economic sectors at home to ensure domestic stability while pursuing more aggressive free trade policies abroad through the multilateral trading system is a more convincing explanation. It is for this reason too that Ruggie’s argument that the idea of embedded liberalism was to become the major influence of the multilateral trading system is less plausible. The evidence provided by recent revisionist historians of the multilateral trading system and the early historians (discussed above) indicate that the United States and other developed countries continued to propagate the
idea of freer and more open trade in the GATT while domestically they were to maintain and increase protection of those economic sectors that were sensitive to their domestic stakeholders and of particular interest to developing countries in the GATT. While the developed countries did begin to open their markets towards each other in the early rounds of the GATT negotiations, and to move away from the extreme protectionist policies of the inter-war period, for the majority of developing countries the benefits were not that obvious. Ruggie’s analysis of embedded liberalism has failed to recognise this serious anomaly in the rhetorical adherence of the developed countries to freer and more open trade.

Two significant sectors where protectionism was to grow in the developed countries, particularly against the export products of interest to the developing countries, were cotton textiles and agriculture. Wilkinson and James Scott argue that ‘the unwillingness of the United States and its European Allies to open up agriculture to negotiation resulted in its de facto exclusion from the GATT’s remit’, and ‘measures were put in place to formally exclude textiles and clothing from the liberalization process’ (Wilkinson and Scott, 2008; Wilkinson, 2014). They state that by the 1950s these practices became key features of the GATT. Both these sectors were also of economic interest to South Africa and are discussed in Chapters 5, 6 and 7 in the process of analysing the GATT documentation. These two sectors are discussed in turn below.

During the 1950s and 1960s, the production of textiles in less-developed countries began to grow and their competition with the developed countries increased (Patterson, 1966: 308). Already at the 15th session of the contracting parties in November 1959 the US delegation signaled its intention to address the ‘sharp increases in imports, over a brief period of time’ (Kock, 1969; 148; Patterson, 1966: 308). This was referred to as ‘market disruption’. This complaint was directed mainly at the growing exports of cotton textiles from old exporters such as Japan, India and Pakistan and newcomers among the less-developed countries (Kock, 1969: 149). In the mid-1950s Kock states that protectionism was growing in the US and the Administration was under great pressure to impose import restrictions against textile imports from different countries, although these imports
represented a small percentage of the total home consumption. The growers of cotton and the textile manufacturers, Kock argues, formed an ‘unnatural alliance’ to compel the administration to force exports of the cotton surplus at competitive prices, and to introduce quotas for imports of cotton textiles. The EEC had already imposed severe quantitative restrictions in the textile field.

In 1961, certain short-term arrangements were agreed for trade in cotton textiles to secure ‘from exporting countries … a measure of restraint in their export policy in order to avoid disruptive effects in import markets’ (Kock, 1969: 151; Patterson, 1966: 310). In this way, Kock states, the door was opened by agreement for quantitative restrictions and export controls, which had no foundation in the General Agreement. By 1962, the ‘Cotton Textile Arrangement’ was now partly integrated into GATT activities after an accord was reached with 19 countries (Patterson, 1966: 310). The Long Term Arrangement regarding International Trade in Cotton Textiles incorporated the concept of market disruption (ibid). Any increase above the base year was regarded as ‘disruptive’ and warranted action curtailing imports. Gardner Patterson comments that this arrangement condoned discrimination against selected low-cost producers of textiles (ibid). At the end of the Kennedy Round in June 1967, the US insisted on the extension of the Cotton Textiles Arrangement in exchange for 15-20 percent in tariff reductions (Kock, 1969: 106).

Developed country protection in agriculture was equally harmful to developing countries. Due to the insistence of the United States, the GATT permitted import restrictions on agriculture and (and fishery) products as a permanent exception to the general rule (ibid: 161). The import restrictions were applied in the US by the president through authority granted him in the US Agriculture Adjustment Act and the Trade Agreements Extension Act of 1951. Quantitative import controls were thus applied by the US on products such as cotton, wheat and wheat flour, sugar, butter and cheese (ibid: 162). There were severe protests at these actions by GATT members. At the 1954-55 GATT Review session many countries wanted to address agriculture but the US needed import restrictions on dairy products contrary to GATT rules and had to request a waiver, and thus blocked any move to bring agriculture into the GATT negotiations (Curzon, 1965: 166). The US requested a
waiver without a specified time limit until such time as it could bring its domestic Agriculture Adjustment Act into line with its international obligations. The GATT granted this in 1955 (ibid: 46). The Harberler report presented to the GATT parties in 1958 noted that, ‘agriculture protectionism exists at a high level in most of the highly industrialized countries’ (Kock, 1969: 171). In May 1960 the GATT Committee II reported that one of the most widespread forms of non-tariff barriers (NTBs) were quantitative restrictions (QRs) in mainly butter, cheese, sugar and wheat (Curzon, 1965: 192).

In November 1961, Wilfred Baumgartner, the French minister of economic affairs, stated, ‘the rules of free competition cannot be applied to agriculture products’ (ibid: 195). The EEC Common Agricultural Policy (CAP) was put into operation in June 1962. The CAP gave domestic suppliers protection against external suppliers and it provided assurance that every ton produced and not sold would be bought by an intervention agency. The CAP also provided export subsidies for surplus production (ibid: 202). This protection for agricultural interests extended to processing plants (such as edible oil) and other food processing – the milling industry and synthetic alcohol (ibid: 204). During the Dillon Round agriculture was excluded (Patterson, 1966: 174). It was only in the Kennedy Round that ‘agriculture was to be included and it was agreed that negotiations shall provide for acceptable conditions of access to world markets for agriculture products’ (ibid: 178). However, immediately after the Kennedy Round, the US introduced new restrictions for dairy and other agricultural products. Again members expressed regret that after 12 years the US still felt it fit to maintain and even to intensify the restrictions (Kock, 1969: 167).

Thus the examples of cotton textiles and agriculture protectionism during the early years of the GATT refute the impression created by the concept of embedded liberalism that the post-war trade institutions were liberal and promoters of more open trade. The fact that protectionism by developed countries kept increasing in the sectors and products of interest to developing countries made them particularly egregious. In the discussion below on the idea of non-discrimination a similar contradiction between ideas and practice is observed.

The idea and principle of non-discrimination and its practice
As stated in Chapter 1, the concept of ‘discrimination’ in this study is used to describe the opposite of the principle of non-discrimination in trade. Where the concept of ‘discrimination’ is used to describe racial discrimination this will be stated explicitly. ‘Non-discrimination’ or ‘most-favoured-nation’ (MFN), Curzon argues, is the single most important concept that informs GATT. It had been applied in commercial treaties since the 16th Century but especially since the Cobden-Chevalier Treaty of 1860 (Curzon, 1965: 58). The MFN principle requires that two countries wishing to guard against discrimination in each other’s market undertake to apply to each other’s goods the most favourable rates of duty and other privileges. These are ‘the lowest duties applied by either and the most advantageous trading conditions, whether at the time of concluding the undertaking or treaty or at a future date’ (ibid: 58). Wilcox explains that one of the main motivations of the US in drafting its ‘Proposals for the Expansion of World Trade and Employment’, on 6 December 1945, was ‘to make real the principle of equal access to the markets and the raw materials of the world’ (Wilcox, 1949: 21).

In this section we discuss the application of the principle of MFN or non-discrimination in the GATT in the early years with specific reference to the issues of preferences, regional trade agreements and customs unions. The first two have been selected for discussion here as they emerge as important issues for South Africa in the GATT. On each of these issues it will be argued that the architects of the GATT, while advocating the principle of non-discrimination, were to abandon it when confronted with particular economic or political interests of their own, prompting other members and observers to accuse them of ‘double standards’ (Patterson, 1966). Patterson’s study of the first 20 years of the GATT concluded in this period after the Second World War ‘discrimination’ (trade discrimination) was widely practiced and ‘unconditional MFN was attacked from all sides’. He argued that, ‘the outstanding economic-political developments in Western Europe, the EEC and EFTA [the European Free Trade Association], rested on discriminatory policies. Even the US and Canada – the great champions in recent years of non-discrimination, had as a matter of conscious policy blatantly violated their earlier strictures’ (ibid: 385). This section focuses on the trade practices of the UK, with regard to its ‘Imperial Preferences’ in its ‘Dominions’, and the EEC with regard to its customs union, and argues that these countries readily abandoned the principle of non-discrimination when required by political
expediency. The United States also deviated from the GATT principle of non-discrimination and colluded with the EEC in this regard.

Article I of the GATT guarantees unconditional and MFN treatment to all members with regard to tariffs and other charges. Exception was, however, made for preferences existing when the agreement was signed in 1947 and a list of territories falling under this rule was annexed to the agreement. The countries that provided preferences included the UK and other European countries, such as France and the Benelux countries (Belgium, the Netherlands and Luxembourg), and even the US. The latter’s attack on the preference system focused on the UK Imperial Preferences, as these markets, particularly the old Dominions, were important for the US. In the 1947 Geneva negotiations, William Clayton, the new assistant secretary of state for economic affairs – who was leading the US negotiating team – decided to save the conference by accepting modest British concessions on the preferences Britain enjoyed in the Dominions (Kock, 1969: 114). As the discussion above makes clear, the principle of MFN was not adhered to by the United States, United Kingdom or other European countries, and they were able to persuade the members of GATT to support the maintenance of their discriminatory preferential practices.

The GATT accepted customs unions and free trade areas with the provision that they comprise substantially all trade between the members. In the case of customs unions, they were required not to cause duties and other regulations of commerce to be more restrictive on third countries. The first case that came before the GATT was that of the European Coal and Steel Community (ECSC), which was created in 1951 by six continental countries (France, Italy, Germany and the Benelux countries). An economic agreement between a number of countries covering a limited number of commodities was inconsistent with the rules of the GATT and the six had to therefore apply for a waiver, which was duly granted. The main proponents of the ECSC were Robert Schuman and Jean Monnet who saw its construction as ‘the first decisive step in building Europe’ (ibid: 121).

During the war, Belgium, Luxembourg and the Netherlands had reached an agreement to establish a customs union. Along with France, Italy and Germany they began to liberalise trade with each other in 1950 and to also raise quantitative restrictions against other members. This was a deviation from the GATT rule of non-discrimination (ibid: 117). The
Treaty of Rome was signed in March 1957 and went into force the following year, creating the EEC. Patterson commented that ‘it was almost certain that the formation of the EEC was going to operate to increase the barriers to others exports for farm goods to the member states, to increase the real costs to the six of many foodstuffs, and to be for some time at least a continuing source of friction within the community and between it and the rest of the world’ (Patterson, 1966: 216). A long list of developing countries stood to be negatively affected in Africa, Asia and Latin America (Curzon, 1965: 278). The treaty had a general plan for the creation of a common market for agricultural products but a final decision on the common farm policy was only taken in January 1966. The Organisation for European Economic Co-operation (OEEC) was created with strong financial and political support from the US as part of the Marshall Plan for financial aid to Western Europe (and was later to become the OECD in 1961).

The EEC acknowledged discrimination against non-members but cited Article 24 of the GATT as providing it with legitimacy. Patterson states that the US did nothing to champion the cause of the ‘underdeveloped areas’ (1966: 238). The developing countries asserted that, ‘it had not been contemplated that customs unions would take the form of such huge regional grouping as the European Economic Community, nor that they would have such special relations with their Overseas Territories’ (ibid: 239). A GATT study on 12 commodities found that ‘the European Common Market would seriously divert community imports from third countries to the associated territories’ (ibid: 241). Patterson states that GATT consultations between the six countries and the developing countries on issues including ‘common market common tariffs, agriculture and the use of QRs had achieved nothing’ (ibid: 246). Thus Patterson states that, ‘the authority and prestige of the GATT were damaged by the emergence of permanent regional groups – especially in the eyes of the less-developed countries’ (ibid: 263)

Although the US was sceptical of preferences, it had already created the US-Canada agreement on automobiles (vehicles and original equipment parts) that clearly violated the MFN principle. Canada also had an export subsidy programme, which a GATT working party found was also in violation of the MFN principle. Developing countries stated that the US did not practice what it preached (ibid: 356). This discussion indicates that both the
United States and the EEC applied the principle of MFN selectively in the early years of the GATT. Thus the argument advanced by Ruggie that MFN was a guiding principle of the GATT and ‘embedded’ in the institution is difficult to sustain. Instead the observation of the early historians was that developed countries tended to deviate in practice from the principle of non-discrimination in their trade practices. This tendency is also observed in the next discussion on the GATT principle of reciprocity in trade.

**The idea and principle of reciprocity and its practice**

The use of the concept of reciprocity was always controversial in the GATT even between the major developed countries. In the analysis of the GATT documentation on South Africa (discussed in Chapters 5, 6 and 7) this issue was a significant point of contention between Apartheid South Africa and the developed countries. The discussion below suggests that the United States was to use the concept of reciprocity selectively to advance areas of interest and to exclude its use when needed to ‘protect’ sensitive sectors such as textiles and agriculture (discussed in Wilkinson and Scott, 2008; and Wilkinson, 2014). The preamble of the GATT stated that one of its major objectives was ‘to enter into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce’ (Curzon, 1965: 70). Reciprocity was the basic principle of trade agreements in the 1930s (Kock, 1969: 280). The Reciprocal Trade Agreements Act of 1934 pioneered by Cordell Hull had as its main objective, the ‘expansion of foreign markets for the products of the US’. The Act gave the president the power to enter into trade agreements without subsequent ratification by Congress, but was limited in time and had to be renewed from time to time (ibid: 270). The Trade Expansion Act of 1962 only allowed the US president to lower tariffs on the basis of reciprocity (Curzon, 1965: 104).

In the very first tariff negotiations in the GATT in 1947, Clayton had to resort to the traditional ‘bilateral bargaining’ method of negotiations, rather than the ‘across the board’ method that the British demanded, to bring down the high US tariffs. The US Congress had rejected this linear method of tariff reduction while the 1944/45 US-British discussions on ‘Proposals for Consideration by an International Conference on Trade and Employment’ were taking place. The British therefore believed that insufficient progress would be made
in reducing the high US tariffs to justify the elimination of Imperial Preferences. British negotiators believed that even with a 50 percent reduction, US tariffs would remain high and some would remain at prohibitive levels. In addition, although the US and Britain had agreed to eliminate quantitative restrictions in their earlier discussions in 1943, when the discussions resumed in 1945 the US Agriculture Department insisted that quantitative restrictions should be allowed for agricultural goods (Curzon, 1965).

Curzon states that the injunction of the US president to obtain reciprocity limited the manoeuvrability of the US Administration (ibid: 104). During the Torquay Conference the negotiations broke down over the British reluctance to make any concessions of value and the US insistence on the principle of full reciprocity (Kock, 1969: 71). One of the problems that arose in the negotiations was the disparity between the low tariff countries (Benelux and the Scandinavians) and the other European countries. The low tariff countries were disappointed at the US insistence on the commodity-by-commodity approach to negotiations. Negotiations in the late 1950s were thus not successful. At the 1956 conference in Geneva the low tariff countries tried unsuccessfully to get the procedures revised in order to facilitate a more multilateral approach (ibid: 99). During the Dillon Round, in 1961, no change had been made to the negotiating method and ‘the old principle of negotiations country by country and commodity by commodity had to be followed’ (ibid: 87). Following the Trade Expansion Act in 1962, the US Administration changed its attitude and declared its intention to offer linear cuts in existing duties (ibid: 89). However, the Act did foresee that there would be exceptions from the overall linear cuts in order to protect threatened industries and for security reasons (ibid: 90).

Thus at the Kennedy Round (scheduled for 1 May 1964 to 30 June 1967) it was agreed to use the linear method for industrial tariff cuts with the provision that ‘where significant disparities existed special rules might be applied for tariff reductions’. It was also recognised that ‘a special problem of reciprocity could arise for the low-tariff countries and for those developed countries that were relying on exports of a few primary commodities, namely, Australia, Canada, South Africa and New Zealand’ (ibid: 90). During the Kennedy Round, Canada, Australia, New Zealand and South Africa were recognised as having special trade structures, and negotiations with respect to reciprocity would therefore aim at
a ‘balance of advantages based on trade concessions by them of equal value’ (Kock, 1969: 106; Patterson, 1966: 178). Thus during the Kennedy Round, the most important areas in which the linear method could not be used were chemicals, steel, aluminium, pulp and paper. In textiles the US Administration refused to agree to tariff negotiations if the Long-Term Textile Arrangement that allowed it to create quantitative restrictions was not extended (Kock, 1969: 91). The developing countries stated that they had little to give and they stood to gain little if the reciprocity rule remained. In any event they were small exporters and had little bargaining power (Patterson, 1966: 342).

Developing countries were also disadvantaged by the use of the so-called ‘principal supplier rule’ (Wilkinson and Scott, 2008; Wilkinson, 2014), especially by the US trade administration. This rule implied that negotiations on a particular import good could only be undertaken with countries that were chief suppliers of the relevant product to the American market (Kock, 1969: 100). If a country was not the principal supplier of a product a contracting party was considered justified in refusing to make concessions (Curzon, 1965: 73). Since developing countries were not principal suppliers they needed to wait for others to reach agreement on the products of interest to them. Patterson argues that ‘this meant that matters of great concern to them often did not come up for negotiation, and when they did, the developing countries’ role was that of a mere bystander’ (Patterson, 1966: 342).

The discussion above indicates that while the United States was the main demandeur for the principle of reciprocity it applied this selectively, demanding reciprocity from others in areas of its own interest and excluding large sectors and products that were sensitive to its own industries and constituencies. The ‘principal supplier’ principle moreover was to exclude developing countries from the negotiations, and from obtaining any significant concessions in sectors and products of interest to them. The concept of embedded liberalism does not address this inconsistency in the post-war international trade regime (Wilkinson and Scott, 2008).

The discussion above on each of the three main ideas of the GATT – freer and more open trade, non-discrimination and reciprocity – suggests that while these ideas were adopted by the main architects of the GATT and propagated by them, in practice they tended to deviate from them when their interests required them to. It is argued that this inconsistency
is not accounted for in the analytical framework of Ruggie. The discussion in this chapter has thus drawn on the insights of critical theorists, historians of multilateralism, the early historians of the GATT and recent revisionist historians of the GATT to provide an explanation for this inconsistency in the attitude and behaviour of South Africa and the developed countries in the GATT, and thus extend the analytical frameworks of both Blyth (discussed in Chapter 3) and Ruggie.

4. Conclusion

This chapter has argued that while Ruggie offers a useful framework to analyse the role of ideas in the multilateral trading system, his theory of embedded liberalism is incomplete and does not account for the contradictions in the practices of developed countries in the GATT, where a major tendency was for developed countries to propagate ideas of freer and more open trade, non-discrimination and reciprocity while deviating from these ideas in practice. This chapter argues that the analytical frameworks of both Blyth and Ruggie need to be extended by drawing on the insights of critical theorists, historians of multilateralism, the early historians of the GATT, and more recent revisionist writers of the multilateral trading system.

Cox has warned us to be cautious about values or ideas being regarded as universal, especially when these claims are made by the major powers. He argues that ‘as between different civilized values, active pretensions of universality are ultimately reducible to power’ (2002: 59) and that ‘theories of international morality are, for the same reason, and in virtue of the same process, the product of dominant nations or groups of nations’ (ibid: 61). Mazower, brings to our notice another insight from the words of Carl Schmitt, a German legal jurist of the 1930s, to make the argument that ideas and norms propagated by the major powers are not always adhered to themselves in practice: ‘Real power lay in the power to set the norms and to decide when they applied and to whom’ (Mazower, 2012: 181). The early historians of the GATT have argued that the developed countries, while propagating the ideas and principles of the GATT, such as freer and more open trade, non-discrimination and reciprocity have not always applied this to themselves in practice. More recent revisionist historians of the multilateral trading system have also pointed to the inherent contradiction in the workings of the GATT and its successor, the WTO.
(Wilkinson, 2006; Wilkinson and Scott, 2008). Thus, the analytical framework that is utilised to examine the GATT documentation on South Africa in Chapters 4-7 extends the analytical framework of Ruggie, drawing on the insights and works of other writers above.

The discussion now proceeds to Chapter 3, where Blyth’s analytical framework will be applied to the analysis of the history of South Africa’s trade and industrial policies. Chapter 3 provides a review of the literature on the economic history of South Africa’s trade and industrial policies. This historical overview seeks to illuminate the GATT documentation on South Africa’s trade and industrial policies that is examined in Chapters 5-7.
Chapter 3: The Politics of Trade and Industrial Development in South Africa during the 20th Century

1. Introduction

The trade and industrial policies of South Africa in the 20th Century were inextricably related to its policies of segregation and apartheid. Not surprisingly, the academic literature on the political economy of South Africa during this period has tended to focus largely on the examination of the country’s racial policies and its relationship to the development of capitalism and economic development (O’Meara, 1983, 1996; Legassick, 1995; Wolpe, 1995; Giliomee, 1995, 2012; Meredith, 2007; Welsh, 2009). Although there are several studies on the early industrialisation of South Africa (see Davies et al., 1976; Kaplan, 1976; Martin, 1990; Clark, 1994), only a few have focused on its trade and industrial policies during the apartheid era (see Fine and Rustomjee, 1996; Feinstein, 2005). This chapter seeks to address this neglect in the literature by providing a historical overview of the trade and industrial policies of Apartheid South Africa.

On the eve of the First World War mining represented 27 percent of South Africa’s Gross Domestic Product (GDP) and the country accounted for nearly 40 percent of global gold production. Stephen Lewis argues that diamonds and gold transformed the country from an agricultural and trading backwater to an economic resource of great value (1990: 7). Manufacturing was to grow significantly in the interwar period. By the end of the Second World War manufacturing contributed a larger share to national income than either agriculture or mining (Martin, 1990: 60). Manufacturing was to continue this spectacular development from the beginning of apartheid in 1948 until the mid-1970s. The contribution of industry to GDP climbed from 23 percent in 1948 to almost 31 percent in 1970 (Feinstein, 2005: 173).

However, in spite of this spectacular performance, South Africa remained a laggard in its industrial and economic development compared to similar economies such as those of the East Asian Tigers, including South Korea and Taiwan (Feinstein, 2005; Black, 1991; Kaplan, 1991). Why did South Africa’s industrial development performance peak in the
first half of the 20th Century and then decline in the latter part of the 20th Century? This chapter will draw some insights into this question from a historical analysis of the trajectory of industrial development of South Africa from the turn of the 20th Century until the end of the apartheid era.

In the discussion that follows on the history of South Africa’s trade and industrial policies we test the relevance of Mark Blyth’s model of institutional transformation and the role of ideas. It is argued that the model, applied to the case study of South Africa, reflects the continuous movement of history from the application of ideas of ‘state intervention’, applied by Paul Kruger in the 1880s and 1890s, to the ideas of ‘free trade’, supported by the Botha-Smuts government (1910-24), and a strong shift to ‘industrial development’ and protection by the so-called ‘Pact’ government (1924-33). The Pact government’s ideas of industrial development were to remain stable and continue beyond its political life, and influence the ‘Fusion’ (1933-39) and Smuts governments (1939-48), and even become one of the pillars of the apartheid government from 1948 until 1994.

However, the ideas of free trade and ‘neo-liberalism’ and the global swing back towards ‘disembedding the market’ in the late 1980s and early 1990s was to also influence the South African regime as it sought a way out of the political and economic crisis of apartheid. Thus it is argued in this chapter that South Africa provides a good case study to test Blyth’s model of institutional transformation. However, the model does not help us to understand the contradictions displayed by South Africa in the GATT as Blyth’s analysis is applied only at the national level and not the multilateral level. In addition, it is argued that his analytical framework does not provide a comprehensive explanation for why South Africa’s industrial development was in decline by the 1970s.

What emerges from this historical overview is that the policies based on the ideas of free trade promoted by the Gold Mining Industry, and the policies based on the ideas of segregation and apartheid, were the underlying constraints to the expansion of South Africa’s industrial development throughout the first half of the 20th Century and during the apartheid era (1948-94). However, the contradictions within the white ruling political elite and the interests of its main economic groups such as mining, manufacturing and agriculture, were to undergo several changes throughout the first half of the 20th Century –
until the coming into power of the Afrikaner National Party (NP) in 1948. The pendulum swung back and forth from a free trade approach (before 1924 and 1990-94) to trade and industrial policy, which favoured mining and foreign financial interests, towards a more nationalist and protectionist approach (1924-48 and 1948-90), which favoured local industry (Davies et al., 1976; Kaplan, 1976; Martin, 1990). South Africa’s particular industrial structure and trajectory has to be understood in the context of these changing dynamics and trade and industrial policies adopted by the segregationist and then apartheid governments.

The main purpose of this chapter is to provide a context for the assessment of South Africa’s role in the GATT (Chapters 4-7), and to explore the reasons for Apartheid South Africa’s relatively unspectacular industrial development. This chapter will discuss the evolution of the country’s trade and industrial policies from the turn of the 20th Century to the Second World War (section 2) and then from the onset of the apartheid regime to its decline in 1994 (section 3). Three inter-related questions are explored in this chapter: what were South Africa’s trade and industrial policies in the early part of the 20th Century, and then from 1948 to 1994? How did these policies constrain or advance South Africa’s industrial development? How did the country’s racial policies of segregation in the early part of the 20th Century and then of apartheid, from 1948 to 1994, determine and constrain the evolution of South Africa’s trade and industrial policies? Blyth’s model of institutional transformation will be tested in the course of the discussion of the changes in the country’s trade and industrial policy ideas. The concluding section 4 argues that South Africa provides a good case study for the application of Blyth’s model of institutional transformation and the role of ideas. It also explores the reasons for the relatively unspectacular performance of the apartheid regime’s industrial development, and argues that the policies based on the idea of apartheid were the fundamental constraint to South Africa’s industrial development.
2. The making of South Africa and its trade and industrial policies until the 1920s

We turn now to discuss the history of South Africa’s trade and industrialisation policies from the Transvaal Republic of Paul Kruger to the Pact government of 1924, the Fusion government (1933-39), and the last Smuts government (1940-48) before the onset of apartheid in 1948. The discovery of diamonds in 1871, and gold in the 1880s, was to lead to a bitter struggle between the British and Afrikaners in the Anglo-Boer War of 1899-1902. The war was orchestrated by Cecil John Rhodes, the British mining magnate, and Sir Alfred Milner, Britain’s high commissioner in Southern Africa (Meredith, 2007: 468). The history of South Africa’s industrialisation can be traced to the policies of Paul Kruger who became the first president of the Transvaal Republic (Zuid-Afrikaansche Republiek or ZAR) in 1883 (Clark, 1994: 16). Kruger believed in a policy of ‘direct state intervention to promote increased local production and reduce dependence on foreign imports’ (Clark, 1994: 16). He granted ‘concessions’ to ZAR citizens to encourage them to develop import-substitution industries, such as ‘spirituous liquors’, ‘iron and steel’, ‘woolen goods’, ‘tanning and preparation of leather’, ‘leather goods’, ‘fine and rough earthenware and porcelain’, ‘machine bricks’ as well as other industries (Clark, 1994: 17). Paul Kruger fled to Switzerland after the outbreak of the Anglo-Boer War and died there in 1904 (Clark, 1994: 21).

After the war, the British mining capitalists had taken over the Transvaal (ibid: 22). The mine owners, Nancy Clark argues, wanted to reduce costs for the mines, including through cheaper labour, and other inputs such as electricity and transport. The British consolidated three main electricity companies to provide supplies to the Witwatersrand (or Rand) mining operations (ibid). In 1902 the British Administration purchased the Railway Co. and shifted the burden of financing the railways onto the state. When Louis Botha became the first prime minister of the Union of South Africa in 1910, he amalgamated the railways of the different provinces, creating the largest state-owned enterprise. Between 1900 and 1909, railway mileage in South Africa doubled with 2,977 miles of new track. By 1910, only 27 percent of white gold miners had been born in South Africa and the rest were immigrants, mainly from Britain.
At the time of the Union of South Africa in 1910, the British dominated industry, commerce and the mines and controlled the banks and finance houses and held an almost complete monopoly of industrial skills and training (Meredith, 2007: 521; Lewis, 1990: 8). Clark argues that the Botha-Smuts government was deeply sympathetic to the gold mining industry and its economic policies followed the gold industry (Clark, 1994: 28). By the end of the First World War gold mining was the dominant industry in South Africa and over £350 million of European capital was invested in the country. However, the mining magnates sent almost all the enormous mining dividends abroad with virtually no capital invested in local development (Clark, 1994: 31).

Martin Legassick argues that the crucial formative period for the policy of segregation was between the Anglo-Boer War and the First World War (1995: 44). He states that it was at the 1903 Inter-Colonial Conference that Milner introduced ‘the Native Question’ on the agenda. Here a decision was taken to establish a South African Native Affairs Commission (SANAC), which submitted a report in February 1905. SANAC was to enunciate numerous aspects of what was to emerge as the policy of segregation. Its chairman was Sir Godfrey Lagden, ‘an upwardly mobile and reactionary High Tory’, who had served as resident commissioner in Basutoland before his appointment by Milner to run Native Affairs in the Transvaal (ibid: 48). The main recommendation of the report was that whites and blacks should be kept separate in politics, and in land occupation and ownership, on a permanent basis (Meredith, 2007: 497). Meredith argues that ‘the significance of the Lagden Commission was that it elevated practices of segregation commonly employed throughout Southern Africa during the 19th Century to the level of a political doctrine’ (ibid). Thus, the South African economy was built on the foundations of segregation.

Two leading players, Jan Christian Smuts and Mohandas (Mahatma) Gandhi, whose ideas were to influence South Africa’s trade and industrial policies and role in the GATT during the first half of the 20th Century, need to be introduced at this stage of the unfolding story. Smuts, then a 28-year-old lawyer who had graduated from Cambridge, was appointed by Paul Kruger to his Administration in 1898. He became one of the leaders of the Afrikaners, who led a Boer Commando of 250 Transvalers into the Cape Colony in 1901 (ibid: 457). However, by 1902 Smuts led the debate among the Afrikaner leaders to negotiate peace by
arguing that ‘we must not run the risk of sacrificing our nation and its future to a mere idea which can no longer be realized’ (ibid: 467). Smuts was the principal architect of the campaign to create the Union of South Africa on 31 May 1910. It brought together the Boer Republics of the Transvaal, and the Orange Free State (OFS), the Cape Colony and Natal, with Louis Botha as prime minister. General Jan Smuts and another Boer leader, Barry Hertzog, were part of the government. Smuts envisaged a self-governing dominion within the British Empire (Meredith, 2007: 512).

The 1910 Constitution did not create a sovereign state, but one bound by decisions of the British government. However, the Union was to exclude all other groups from political representation leading to protests by the African, coloured and Asian people of South Africa (ibid: 515). At the time of the Union of South Africa, the Afrikaners had joined under the leadership of the first prime minister of the Union of South Africa into the National South African Party. However, the deep divisions within Afrikanerdom between those that subscribed to Botha’s and Smut’s dictum of ‘forgive and forget’ and those of the Afrikaans language champion, Hertzog, who pursued a policy of ‘South Africa First’, led to the creation of the National Party by Hertzog. He led a delegation from the Transvaal and OFS to the Versailles Peace Conference in 1918, to demand in accordance with US president Woodrow Wilson’s Fourteen Points, the restoration of independence of the old republics (O’Meara, 1983: 32).

Immediately after the formation of the Union of South Africa the black population was subjected to a barrage of legislation to relegate it to a strictly subordinate role and to exploit its labour potential (Meredith, 2007; 522). In 1911, the Mines and Works Act barred blacks from skilled industrial jobs. In 1913, the Natives’ Land Act laid down the principle of territorial segregation along lines similar to those advocated by the Lagden Commission. By 1936, the land reserved for Africans was limited to only 13 percent of the total area of the country (ibid: 523). However, resistance to the policies of segregation and exclusion were to grow. Gandhi was a 28-year-old British trained lawyer when he arrived in South Africa from India in 1893. While travelling by train from Durban to Pretoria he had been told by a white conductor at Pietermaritzburg to vacate his first-class compartment and move to the baggage car. When he refused to leave, the conductor summoned a police
constable who pushed him off the train (Gandhi, 2012: 107). Gandhi was to settle in Durban and launch the Natal Indian Congress in 1894, and lead a campaign of passive resistance (satyagraha or truth-force) for political rights of the Indians in South Africa (Gandhi, 1928).

Gandhi was to meet with Smuts, who was at the time President Botha’s colonial secretary, in January 1908. Both men were British trained lawyers. Gandhi asked Smuts to repeal the Black Act, which required all Asian males be fingerprinted, and when Smuts refused, Gandhi resumed the passive resistance campaign (Meredith, 2007: 507; Gandhi, 1928). Gandhi was also to go to London to present Asian opposition to the colour bar and state that, ‘the Union should not merely be a union of the white British subjects, but of all British subjects who are domiciled here’ (Meredith, 2007: 516). Smuts was to play a significant role in the next few decades of South Africa’s trade and industrial policies and Gandhi’s experiences of segregation in this early period would return to haunt Apartheid South Africa during the formation and history of the GATT (discussed in Chapter 4).

While Prime Ministers Louis Botha (1910-19) and Smuts (1919-24) had often proclaimed their support for industry, the Botha/Smuts government only paid lip service to the principle of protection for manufacturing (Martin, 1990: 66: Kaplan, 1976: 73). The report of the Cullinan Commission, established by Botha in 1910, was condemned by W. J. Laite, of the South African Manufacturers Association (Kaplan, 1976: 75). Kaplan argues that the presence of mining and mercantile interests within the South African Party was responsible for the lack of support by Smuts for an industrial policy (Kaplan, 1975: 75; Martin, 199: 65). Smuts reconstituted the Board of Trade and Industry (BTI) in 1921, which, in one of its first reports, condemned protection as a means of fostering local industries and provided no protection at all for infant industries (Kaplan, 1976: 75: Martin, 1990: 68). He also changed the name of the Department of Commerce and Industry to that of Department of Mines and Industry (Martin, 1990: 66). Thus William Martin concludes that, ‘for almost a decade and a half the South African Party had failed, despite public utterances to the contrary, to construct a policy to encourage the development of South African industry’ (ibid: 70).
Martin blames the ideology of free trade promoted by Great Britain for this lack of support during this period (ibid: 71). The attitude of the mining industry was that free trade policies provided them with the lowest real wages and the lowest prices for their stores. This led some observers to argue that if the gold producers’ objectives were attained, ‘South Africa would in large measures be reduced to a plantation and raw material economy’ (Kaplan, 1976: 78). These policies of free trade were to change with the coming into power of the Pact government in 1924. Thus at this early stage of South Africa’s industrialisation, its economic ideas closely followed those of Great Britain, where the prevailing view amongst economists at the turn of the 20th Century and in the 1920s and 1930s, led by Alfred Marshall, was a non-interventionist model (Clarke, 2009: 24). Even John Maynard Keynes himself was an orthodox free trader until the mid-1920s (ibid: 70). It was only when unemployment grew in Britain from the mid-1920s and 1930s that Keynes was to attack this prevailing laissez-faire view of the economy (ibid: 107). There was thus a change in ideas and policy paradigms towards Keynesian ideas of state intervention in Britain (Blyth, 2002: 20). In South Africa, the economic ideas of Marshall, Friedrich List, and Keynes were to influence the national debate on trade and industrial policies.

**The Pact government (1924-33)**

The Afrikaner National Party ruled South Africa in a coalition with the pre-dominantly English-speaking South African Labour Party from 1924 to 1929 in the Pact government (Kaplan, 1976). During this period the government pursued a bold and vigorous programme of industrial protection and infrastructural development, agricultural subsidization, and the protection of employment for white workers (O’Meara, 1983: 33). Lewis points out that ‘beginning in 1925 the government changed the tariff structure and reorganised the Board of Trade and Industry in an effort to create jobs’ (Lewis, 199: 11). A.J. Bruwer was appointed chair of the newly constituted Board of Trade and Industry, and was to remain in this position throughout the Pact government (Martin, 1990: 72). His doctoral thesis from the University of Pennsylvania in 1923 was titled: ‘Protection in South Africa’. His first act was to attack the Imperial Preferences, amounting to 25 percent of the duty, granted to Britain by Milner in 1903 and to reduce this to a quid pro quo basis (ibid). Under the leadership of Bruwer the Board was to use the tariff as a negotiating instrument
with South Africa’s trading partners and to provide infant industry protection to nascent industries (ibid). He was also to lead a public debate on whether South Africa wished to become an industrial state or be wedded for good to the extractive industries (ibid: 73).

The mining industry was to argue that no protection for industry favoured mining, and that protection increased its costs directly by increasing the price of inputs for mining and indirectly by raising the cost of living of workers, thus increasing its wage costs (ibid: 74). In the ensuing debate the Chamber of Miners was to regularly quote the economist Marshall in support of its views on free trade while the manufacturers association quoted List in favour of its support for protection, arguing that earlier industrialisers such as Britain, the US and Germany had also used protection to develop their industries (ibid: 78). Bruwer provided protection for South Africa’s infant manufacturing sector, which was heavily concentrated in light consumer goods such as food and beverages, clothing and textiles, furniture, and paper and stationery products. Support for these industries was provided by anti-dumping duties, increased tariffs and rebates for raw materials and machinery required for production of these goods (ibid: 81). The 1925 Tariff Act thus was seen as a rupture with previous trade and industrial policies of the Botha and Smuts governments and setting in place the vision of an alternative economic future for South Africa. However, Martin argues that no single action was responsible for this transition as the Tariff Act of 1925 was followed by a series of other state initiatives, including the founding of the state steel company and increased protection for agriculture (ibid: 82).

In 1922, the Electricity Act had created the Electricity Supply Commission (ESCOM) to stimulate the provision of ‘a cheap and abundant supply of electricity’ (Christie, 1984: 84). H.J. Van der Bijl had been appointed, by Smuts, as chairman of ESCOM. When the state-controlled Iron and Steel Corporation (ISCOR) was founded in 1928 to further local industrial development, Van der Bijl, who was regarded by Smuts as ‘South Africa’s greatest industrialist’, was also appointed chairman (Norval, 1962: 14; Clark, 1994: 69). When the Iron and Steel Industry Bill was introduced in 1926, Sir Ernest Oppenheimer – a member of the South African Party (SAP) and chairman of Anglo-American Corporation – argued that the ‘lives of the mines should not be curtailed in any way by the production of very expensive steel’ (Clark, 1994: 67).
Although Anglo-American failed to stop the creation of ISCOR, the Tariff Act allowed it to import cheaper steel from abroad. Christie argues that from the start ESCOM was constituted ‘to display an independence of the government and Parliament’ (Christie, 1984: 86). Thus Clark argues that the creation of both ESCOM and ISCOR was a compromise between the state and the mining companies. She stated that while ‘gold mining was the foundation of the South African economy it leaked the South African economy of capital and left it weak’ (Clark, 1994: 68). Gold mining had made clear its opposition to industrial investments and to the subsidization of national industries (ibid: 71). Clark states that both Smuts and Hertzog had to negotiate with gold mining and foreign interests that dominated the South African economy.

Notwithstanding these constraints, ESCOM increased electricity generation by five and half times between 1922 and the end of the 1930s and ISCOR’s output rose almost tenfold between 1934 and 1938 (ibid: 95). Clark states that metalworking establishments increased by 38 percent between 1932 and 1939, and argues that despite these increases the manufacturing sector remained weak in the South African economy ‘with low average productivity per worker’ (ibid: 105). One of the reasons for this was that tariff protection on steel was opposed by the mining companies, while foreign producers continued to dump steel on the South African market. Secondly, even though white workers were to become a smaller proportion of the workforce than originally intended, they constituted high labour costs, amounting to 42 percent of the total cost of manufacturing (ibid: 104). The passing of the Customs Tariff Act of 1925 marked a definite change of direction on tariff and industrial policies and was regarded as ‘the inauguration of a more deliberate and purposeful policy of protection’ by the Pact government (Kaplan, 1976: 76).

In the case of agriculture, white farmers received wide ranging government support between 1910 and 1940. The government passed more than 87 bills in favour of white farmers and the Marketing Act of 1937 created Marketing Boards that were dominated by producers (Feinstein, 2005: 142). Numerous measures were adopted to assist agriculture relating primarily to the maintenance of domestic prices at levels far in excess of prevailing international prices (Davies et al, 1976: 15). Charles Feinstein states that the farmers were granted export subsidies, interest subsidies, rebates on railway rates and grants to purchase
seeds and fertiliser (2005: 142). However, notwithstanding these supports, Feinstein argues that white commercial agriculture during this period was unproductive, and the volume only increased by 1.5 percent per annum between 1925 and 1945 (ibid: 140). European farmers, who were concentrated mainly in the maize triangle of the northern Free State and Southern Transvaal, produced yields that were consistently low and less than 40 percent of those in the United States, 35 percent of those in Australia, and 30 percent of those in Argentina (ibid: 139). The Pact government also supported the development of agriculture and agriculture processing industries, with these sectors enjoying the highest protection between 1924 and 1933 (Kaplan, 1976: 82). Thus agricultural interests tended to also support the protection of industry, particularly as all inputs to the agricultural sector were placed on the rebate list (ibid: 81). As we shall observe later in the early years of the GATT South Africa was to continue to maintain and deepen its support for its Agricultural sector, albeit one that was focused on its white and mainly Afrikaner farmers.

The Fusion (1933-39) and Smuts governments (1940-48)

The Pact government was forced to amalgamate with the opposition, the South African Party led by Smuts in 1933, and thus the new coalition (‘fusion’) brought together very different views and interests on trade and industrial policies (ibid: 86). While the Tariff Commission established by the Fusion government argued that ‘protection for secondary industry by ordinary customs duties had reached the limit that the country can reasonably bear’ there was no significant departure from the Pact government’s protection policies, resulting in the most rapid period of expansion of industrial development under the Fusion government (ibid: 86). Martin argues that, ‘a return to the policies of free trade was made difficult by the fact that by the 1930s a large number of industrial concerns had expanded and to end protection would have immediately closed many doors’ (Martin, 1990: 83). Thus Martin argues that by the time the Second World War broke out in 1939, South Africa was well equipped with an industrial base (ibid: 84).

The war saw a massive expansion of manufacturing output relative to other sectors with its contribution to national income rising by over 90 percent between 1939 and 1945. There was a general shift in manufacturing from wage goods to capital goods stimulated by the demand for armaments production, mining equipment and the engineering sector in
particular. The Industrial Development Corporation (IDC) was created in 1940 to finance new industries and expand existing concerns and the state steel producer, ISCOR, expanded its capacity and range of goods (Davies et al., 1976: 22). The rapid expansion of white employment compelled the increasing employment of Africans in semi-skilled operative positions. This period thus also marked a sharpened class struggle between capital and African labour (ibid: 23) culminating in the massive strike of over 70,000 African mine workers in August 1946 (ibid: 24). In Martin’s view the success of industrialisation during the Second World War was to create a militant urban industrial proletariat and a crisis that found a resolution in the victory at the polls for the apartheid regime in 1948.

An economic boom during the Second World War drew massive numbers of Africans into industrial centres on the Witwatersrand and other urban areas and by 1946 there were almost as many Africans living in urban areas as whites, most of them crammed into slums and shantytowns (Meredith, 2007: 525). In 1941, Nelson Mandela, aged 22, left his rural home in Qunu, in the Transkei, for Johannesburg in search of work and in 1943 was to enroll at the University of Witwatersrand for a law degree (Sampson, 1999). He spent six years there from 1943 to 1949 whilst living in Alexandra Township outside Johannesburg. He joined the Alexandra boycott of buses to the city in 1943 and in April 1944, when the African National Congress (ANC) Youth League was formed, Mandela was on the executive committee (ibid: 40). Anthony Sampson records that two events in the 1940s were to influence the young Mandela. First, in 1946 the African Mineworkers Union called a strike demanding improved conditions for black mineworkers as the Chamber of Mines refused to negotiate, meet the union, or reply to its correspondence. Sampson records that the first president of the newly formed union, and organiser of the strike, Gaur Radebe, was Mandela’s friend. Second, in 1946 the Smuts government passed a new piece of segregationist legislation called the Asiatic Land Tenure (the Indian Ghetto Act) and Indian Representation Act, which sought to further restrict the voting and residence rights of South Africans of Indian origin. This prompted the Indian community to sustain a passive resistance campaign echoing Gandhi’s campaign of 35 years before. Two thousand protestors went to jail, including the two leaders, Dr Monty Naicker and Dr Yusuf Dadoo (Sampson, 1999:46). We discuss the latter issue further below as it will provide a context
for the discussion in the next chapter on the actions to be taken by India against Apartheid South Africa in the United Nations (UN) and in the GATT.

The proposed new bill came as a shock to Indian public opinion, both in India and South Africa, since Indians would be given the vote but only as second-class citizens – subject to education and property qualifications – and residence restrictions would create Indian ‘ghettos’ (Mazower, 2009: 171). The Natal Indian Congress reacted to the news of the proposed new South African law by organising civil disobedience campaigns in Natal and the Transvaal and urging Delhi to help and suggested that the Indian government raise the issue at the UN. Jawaharlal Nehru had just been appointed as head of the interim government of India in the run-up to Indian independence. The first meeting of the UN General Assembly was in London in 1946. Nehru and Gandhi decided to send a strong Indian delegation to the UN General Assembly meeting, headed by Nehru’s formidable sister, Vijaya Lakshmi Pandit (ibid: 175). Nehru argued that this was not ‘merely an Indian issue’ but rather ‘a world cause’ that concerned Asians, Africans and all those struggling for ‘equality of opportunity for all races and against the Nazi doctrine of racialism’ (ibid: 177). The Indian motion was voted on successfully by the committees and then the General Assembly by 32 votes to 15, with 7 abstentions. The Polish delegate was to comment that while Smuts might have helped to draw up the UN Charter, ‘the policy of his government is in direct contradiction to its noble ideals’ (ibid: 183). Indians were struck off the voters roll in the Cape in 1955 and India and Pakistan regularly joined forces to denounce South Africa’s apartheid policies in the United Nations (ibid: 186). The contradiction between Smuts’ approach to internationalism, in his participation in the drafting of the League of Nations and the United Nations Charter at San Francisco, in 1945, were in stark contrast to his aggressive policies in denying the black population their fundamental rights to vote, to property, to land, and to citizenship (ibid: 44, 61). This issue is discussed further in Chapter 4.

The discussion in this section indicates that during the first half of the 20th Century the tensions between the free trade interests of the mining industry and the nationalist aspirations to localise production took a decisive turn in favour of strengthening and expanding the manufacturing sector with the formation of the Pact government. The Fusion
government, though reluctant to support those industrial policies, could not reverse the momentum set by the Pact government. This momentum was to soar during the Second World War with the support of the Smuts government. However, the policies of segregation were to remain the underlying contradiction as the seeds of rebellion and resistance were being sown. Thus, Blyth’s analysis of the power of economic ideas in transformation and institutional change suggests that South Africa too had swung from the ideas of free trade that dominated Western thought before the First World War and then turned to the ideas of state interventionism in mid-to late 1920s. The latter ideas were to take root within the institutions of the state creating a relatively stable set of policies that were able to withstand the change in government in 1948. We turn now to a discussion of the trade and industrial policies of the apartheid state.

3. The apartheid state and the politics of industrial development

Apartheid South Africa can be divided for analytical purposes into three distinct phases: the period of ‘Grand Apartheid’ between 1948 and 1964 (led by Verwoerd); the ‘Golden Age’ between 1964 and 1979 (Vorster); and the period of ‘Crisis and Reform’ of apartheid between 1980 and 1994 (P.W. Botha). This study will discuss these phases in Chapters 5-7, respectively, to evaluate the role of South Africa in the GATT. Each phase is described briefly below.

**Grand Apartheid (1950s and 1960s)**

The first phase of Apartheid South Africa can be described as the period of Grand Apartheid (O’Meara, 1996: 73; Posel, 1991: 69). Hendrik Verwoerd is widely regarded as its architect. There is probably no other Afrikaner leader who exercised more influence in developing the policies of apartheid. He received a doctorate from the University of Stellenbosch in psychology at the age of 23 and was appointed professor of psychology there in 1927, and professor of sociology in 1931 (Giliomee, 2012: 25). He became minister for native affairs in 1950, and prime minister in 1958, until his assassination in 1966. It was Verwoerd who was to introduce the legislation dealing with black education, self-government for the homelands and a tougher form of influx control together with ‘a vision
for independent homelands for separate nations which would form the core of Apartheid ideology from the early 1960s’ (ibid: 38).

Verwoerd withdrew South Africa’s application for continued membership of the Commonwealth in 1961, and established the Republic of South Africa with full political independence from Britain for whites. The Promotion of Bantu-Self Government Bill of 1959, introduced by Verwoerd, was based on the idea that ‘every ethnic group can best be developed within its own national community’ (O’Meara: 73). Posel argues that Verwoerd justified white supremacy by the argument that whites and blacks were “equal” in their own territories’ (Posel, 1991: 69). At the first Ekonomiese Volkskongress Verwoerd spoke of the legitimate place of the Afrikaners in commerce and industry as follows: ‘What weapons can Afrikanerdom use in this great struggle? There is that of state power. If we can take possession of it, public credit could be used, inter alia, for the founding of industrial banks, and firmly to establish Afrikaner undertakings, particularly industry’ (O’Meara, 1983: 115).

A key player in the conceptualization and implementation of trade and industrial policies of South Africa, in the 1940s and 1950s, was Dr A.J. Norval. Norval trained as a lawyer and then obtained a doctorate in Economics from the School of Economics in Rotterdam, Holland in 1925. In 1937 he joined the BTI, where he was acting chairman from 1941 and chairman from 1944 (he occupied this latter position for almost 20 years). His book, *A Quarter of a Century of Industrial Progress in South Africa* (1962), is a seminal contribution to the history of industrialisation in South Africa. He argues that ‘from about the mid-thirties the respective governments carried through the process of industrialization with ever increasing determination and consistency’ (Norval, 1962: viii). Norval argues that in the post-war period ‘a new awareness has entered the industrial field based in a purposeful, deliberate and mature protective policy applied unhesitatingly by the Ministers of Economic Affairs, Finance and Customs and Excise on the recommendation of the Board of Trade and Industry, the advisory body to government on the development of industries, by the granting of customs tariff protection’ (Norval, 1962: ix).

Norval documents the formation and development of the main industries that developed through the intervention of the government in the 1940s and 1950s: iron and steel, oil from
coal; chlorine for manufacture of insecticides and phosphate fertilisers (Norval, 1962: 1-45). ISCOR was founded in 1928 by an act of parliament to foster the development of the iron and steel industry. By 1950 the output from the Pretoria and Vandebijlpark plants exceeded one million tons per annum (ibid: 14). Norval argues that the formation of ISCOR stimulated the rapid expansion of the engineering industries in the 1950s. In 1947 the government passed the Liquid Fuel and Oil Act to stimulate the production of oil from coal and created the South African Coal, Oil and Gas Corporation, Limited (SASOL) in 1950. In 1950 the government established the Klipfontein Organic Products Corporation to produce chlorine and chlorinated organic insecticides (such as DDT and BHC). In 1951 a state-financed company, the Phosphate Development Corporation (Pty) Limited (FOSKOR), was established to produce agricultural fertilisers. The government made available interest free loans to the company through the IDC (ibid: 97).

Afrikaner business began to lobby the government to support local industry and reduce the influence of foreign capital in the 1940s (Morris, 1991: 40). The Afrikaanse Handels Institute (AHI), created in 1942, laid stress on the need for protection of South African Industry. This concern was raised as there was a huge inflow of British and, particularly, American capital into the manufacturing industry in the 1940s (O’Meara, 1983: 146). The AHI stated further that while foreign investment was necessary to help develop natural resources, the state should ensure that locally controlled financial institutions controlled both banking and strategic industries (ibid). In October 1950 the Federasie van Afrikaanse Kultuurverenigings (Federation of Afrikaans Cultural Associations) (FAK), the Ekonomiese Institute (Economic Institute) (EI), the Reddingsdaadbond (Rescue Action Society) (RDB) and the Afrikaanse Handelsinstituut (Afrikaans Commercial Institute) (AHI) jointly convened a second Ekonomiese Volkskongress to take stock and ‘set the course for the future’.

In agriculture, the Marketing Act was to be administered in a manner that ensured high and stable prices for farmers. A number of government- and Afrikaner-controlled local authorities were to switch their accounts to Afrikaner financial institutions. Deposits in Volkskas Bank, for example, doubled between 1948 and 1952. A number of important government contracts were awarded to Afrikaner companies such as Federale Maynbou to
provide coal to the state steel company. Afrikaner businessmen were appointed to vital positions on numerous state economic boards, and to senior management positions in state industries. Dan O’Meara argues that the state-owned Industrial and Development Corporation was used by the NP government to strengthen Afrikaner participation in the industrial progress of the country and as a bulwark against the Anglo-American Corporation. The government fostered the establishment of state-owned corporations ‘as Afrikanerdom’s answer to the overwhelming non-Afrikaner interests in mining and industry’ (ibid: 250).

Although South Africa’s participation in the GATT, in 1947, restricted its use of tariffs as an instrument of trade and industrial policy, the government was to use a combination of other instruments such as import licensing and quantitative controls to develop its infant industries. Feinstein argues that the National Party, elected in 1948, ‘maintained the policy of wholehearted support for industrialization and tariff protection that its predecessors had initiated, and protective measures were considerably strengthened and widened in scope as compared with the inter-war period’ (Feinstein, 2005: 180). Feinstein argues that quantitative controls on imports, first introduced in 1948 as a response to serious balance of payments deficits, were subsequently maintained and developed through the 1950s and 1960s, as one of the principle government instruments to promote industry (ibid: 181; Kahn, 1991).

Two important cases are cited by Feinstein (2005: 181): the development of South African Pulp and Paper Industries Ltd (SAPPI) in forestry, pulp and paper production, and the development of the automobile industry. SAPPI was assured that protection from foreign competition would be made available through the refusal to provide import permits for newsprint or any other type of paper until the local market was taken up by the entire output of SAPPI mills (ibid). Similarly, in the case of the auto industry this was done in cooperation with international auto companies in Europe, the US and Japan. Ford and General Motors had already established local assembly plants in the 1920s but relied mainly on imported components with the proportion of imported components in the 1950s being a mere 17 percent (ibid: 182; Black, 1991: 166).
The automobile industry continues to be a significant part of the manufacturing sector in South Africa and a more detailed discussion of its historical development is relevant to this overview of the country’s trade and industrial policies. The discussion in Chapters 5, 6, and 7 will also illustrate how the apartheid government continued to provide protection and support for this industrial sector, notwithstanding its commitment to GATT disciplines. In 1960 the government introduced an import-replacement programme to ensure that the local assembly plants increased the local content of their vehicles. Assistance to the industry was provided through tariff protection on a list of items to be produced locally and excise duty rebates for those manufacturers that exceeded the specified minimum level of local supplies (Feinstein, 2005:181; Black, 1991: 167). Phase II of the programme introduced in 1964 reserved the local market for cars ‘Made in South Africa’ based on the formula that at least 55 percent by weight of the vehicle had to be obtained from local sources. Phase III, introduced in 1969, raised the weight to 66 percent. Feinstein argues that the major multinational producers were thus induced to extend their investment in assembly plants and engines and other parts. However, this led to five companies producing 15 models by 1965 with the Made in South Africa label and to more than 31 by 1967. However, the cost of production of motor vehicles in South Africa had risen to 45 percent higher than in the US by 1965 despite the lower cost of labour (Feinstein, 2005: 185). Anthony Black also argues that the high costs and inefficiencies generated by South Africa’s particular form of import substituting industrialisation have worked against its competitiveness on international markets (1991:162). This is a theme we will return to in the conclusion, where we discuss the reasons for the failure of South Africa to industrialise relative to its comparator countries.

Thus during this first phase of apartheid, during the 1950s and early 1960s, three main trends can be identified in the industrial development of South Africa. Firstly, the development of local industries through the use of tariff and industrial policies. Secondly, the use of a raft of policy instruments including tariff and industrial policies and the granting of government procurement at national and local level to support Afrikaner businesses and financial institutions. Thirdly, the use of the state through state enterprises, such as ISCOR, SASOL, FOSKOR, and the deployment of the state-controlled IDC to support South Africa’s industrial development. Following Blyth’s fourth and fifth
hypotheses we can observe that the economic ideas of state intervention and import substitution were to act as ‘institutional blueprints’ and guided the implementation of trade and industrial policies in South Africa and helped to promote stability in the South African economy during the first phase of apartheid, and was to continue to provide this stability during the second phase of apartheid that we discuss below (Blyth, 2002: 40-45).

The Golden Age (1960s and early 1970s)

The second phase of Apartheid South Africa can be described, following O’Meara (1996: 116) as the Golden Age of Apartheid. He describes the 1960s as the period when the South African economy grew faster than any capitalist country other than Japan, with white living standards going through a veritable revolution (O’Meara, 1996: 116). He states that ‘by the end of the 1960s the vast majority of white families owned at least one motor car and employed one servant’ (O’Meara, 1996: 138). O’Meara also reflects the growing prosperity of Afrikaners by indicating that the category of white-collar workers amongst Afrikaners had grown from 29 percent in 1946 to 43 percent in 1960 and 65 percent in 1977 (ibid: 138). In addition, O’Meara explains the rapid rise of Afrikaner entrepreneurs in private manufacturing after 1948 as resulting from four main factors: first, the profusion of state corporations and parastatals under National Party rule that placed Afrikaners in key positions; second, government contracts and subsidies benefitted the Sanlam industrial investment subsidiary, Federale Volksbeleggings; third, the three major Afrikaner financial groups, Sanlam, Old Mutual and Volkskas began to diversify their holdings into manufacturing in the 1950s; and fourth, the drop in share prices and flight of foreign capital following the March 1960 Sharpeville Massacre, which was seized upon by Sanlam and Old Mutual, in particular, as a golden opportunity to increase their shareholdings in a wide range of manufacturing and other companies (ibid: 209-219).

With the massive flight of capital from South Africa during the early 1960s, after Sharpeville, the Sanlam Group invested heavily in industrial undertakings. By 1963 one of its key subsidiaries, Federale Maynbou, with the assistance of Anglo-American Corporation took over a major mining finance house – the General Mining and Finance Corporation – making its mining interests second only to that of Anglo-American by 1983 (Morris, 1991: 40; Freund, 1991: 112; Fine and Rustomjee, 1996: 161). The Sanlam Group
was to become the second largest conglomerate in South Africa after Anglo-American by the early 1980s (O’Meara, 1983: 250). By the mid-1960s, O’Meara argues that this ‘Tweede Trek’ had achieved its primary aim, to forge a class of Afrikaner financial, industrial and commercial capitalists. After this class had achieved its objectives Afrikaner nationalism began to be transformed as the state fostered the interrelationship between English and Afrikaner capital (O’Meara, 1983: 254).

In agriculture the mechanization of farms increased with the Nationalists coming into power in 1948. The number of tractors per unit of farm increased fivefold between 1945 and 1960, and the total number increased from 48,000 in 1950 to 133,000 in 1964 (O’Meara, 1996: 143). In addition, O’Meara states that ‘the average annual real income of white farmers grew by a whopping 7.3 percent per annum between 1960 and 1975’ while ‘black agricultural wages barely increased from 1866 to 1966’ (ibid). While state assistance provided almost 20 percent of an average farmer’s income, maize producers in South Africa were ten times less efficient than their European and US counterparts (ibid).

So, the second phase of Apartheid South Africa witnessed the continuation and deepening of the three main trends identified in the first phase above. In addition, the focus of Afrikaner capital, represented by its major finance and industrial corporations, was to forge a partnership with English capital. The Afrikaners were to use the power and influence of the state to achieve this – the empowerment of large-scale Afrikaner capital was a deliberate policy of the apartheid state and aided and abetted by English capital (Fine and Rustomjee, 1996: 110). The consequence was that of rapid advancement of Afrikaner businesses and a more confident Afrikaner liberal elite. This was to have significant political implications in the next and final phase of the apartheid era.

**Crisis and Reform (the 1980s and early 1990s)**

The third phase of apartheid between 1980 and 1994 can be described as the era of ‘Crisis and Reform’ (Gelb, 1991: 1-32; Morris, 1991:43). The rapid escalation of political and economic crises in the mid-1970s created the impetus for the *verligtes* in the party to push for far-reaching policy reforms (O’Meara, 1983: 252). By late 1977, in the aftermath of the defeat in Angola, the Soweto uprisings, the murder of Steve Biko and the panic banning of
18 African organisations, the increasing massive resistance to apartheid, and the massive outflows of foreign capital, the government was virtually rudderless and began to speak in different voices (ibid). In 1977, then minister of defence P.W. Botha proclaimed a policy of ‘total strategy’, the fundamental aim of which was a guarantee for the system of free enterprise (ibid: 253). The policy argued that blacks had to be given a stake in the capitalist system and this stimulated leading South African businesses to become directly involved in the campaign for reform (O’Meara, 1996: 331).

In 1966 Botha became minister of defence, a position he held until 1978 when he became prime minister. While Botha had begun to talk of the need for reform, he made it clear that, ‘We are not prepared to accept black majority rule’ (Giliomee, 2012: 143). Botha is mostly remembered for the speech made on the 15 August 1985 for which expectations were raised that he would say that the National Party was to cross the ‘Rubicon’ and begin a process of reform. Instead the world saw him wagging his finger and stating in defiance: ‘Don’t push us too far’ (ibid: 199). The Rubicon speech landed the National Party in deep financial trouble. The next day, Chase Manhattan Bank, one of South Africa’s main short-term lenders, announced that it would no longer roll over short-term loans to South Africa. Other banks quickly followed. The Rand fell sharply, capital flight accelerated and sanctions increased (Padayachee, 1991: 100). The United States Congress passed the Comprehensive Anti-Apartheid Act and the European Community and the Commonwealth imposed a variety of sanctions. The Rubicon speech has been described as a turning point in the history of apartheid, when the government lost the initiative and credibility in the world (Giliomee, 2012: 202).

In September 1985, a delegation of business leaders headed by Anglo-American’s Gavin Rnelly visited Lusaka to meet with the leadership of the ANC in exile. Afrikaner business leaders too had decided that the cost of apartheid was becoming too steep and Anton Rupert, the doyen of Afrikaner business, wrote to Botha in January 1986, warning him that any attempt to cling to apartheid would lead to a future that would be ‘both poor and black’ (ibid: 272). Botha retired in August 1989 after suffering two strokes and was succeeded by F.W. de Klerk the following month. De Klerk reversed the ban on the ANC, the South African Communist Party (SACP) and the Pan African Congress (PAC) on 2 February
1990, and on 11 February 1990 Mandela walked away from Victor Verster prison, outside Paarl, where he had been last kept, a free man! On 10 May 1994, Mandela was inaugurated as president of the first democratic non-racial government of South Africa after the ANC won a landslide victory at the polls (ibid: 273).

The depth of the crisis that South Africa confronted in the 1980s can be observed by the rapid decline of the manufacturing sector. The average annual rate of growth of real manufacturing output plunged from 7 percent in 1948-74 to a miserable 1.6 percent over the two following decades (Feinstein, 2005: 213). Feinstein argues that the South African economy had shifted from a phase of growth and stability in the earlier period, to one of stagnation and decline in the latter. GDP output growth also fell from 4.8 percent to 1.8 percent and GDP per capita fell from 2.2 percent to -0.4 percent. The crisis in the economy from the mid-1970s was reflected in the general slowdown in the rate of growth of output, employment, labour productivity and exports. There were a number of factors that contributed to this crisis, including: a general decline in world output and growth from the mid-1970s; the rise in oil prices; the decline in the price of gold after 1980; the increase in the exchange rate, making manufacturing exports more uncompetitive; and the sanctions against apartheid that led to an outflow of capital (Feinstein, 2005: 201-202). Thus, Feinstein argues that while apartheid economic performance in the 1950s and 1960s were hailed as a triumph, by the mid-1970s this had turned into disaster (Feinstein, 2005: 146).

Fine and Rustomjee (1996) state that the government had set up a study group in 1977, with deliberations emerging in 1982 and a white paper on industrial policy only to emerge in 1985. Known as the Kleu Report, it took a different approach from previous studies, arguing that ‘an industrial policy for South Africa must be determined within the framework of a system in which free enterprise, consumers’ freedom of choice and private ownership play a central role’ (ibid: 197). In the late 1980s, the Department of Trade and Industry (DTI) began to criticise the protectionist approach of the Board of Trade and Industry, and in 1990 the DTI withdrew 90 personnel seconded to the BTI, thus crippling its work. In 1990, the IDC joined in the fray of criticising the BTI by arguing that, ‘for almost 70 years the industrial development policy of successive governments was based on import replacement’, ignoring its own role in nurturing and promoting a range of
industries (ibid: 201). Instead the IDC in 1990 proposed a three-pronged strategy itself which included: a) the reduction of tariffs; b) supporting export-oriented capital investment through tax incentives; and c) target mineral beneficiation (extraction) industries. The IDC was thus to become the main advisor to the DTI GATT negotiating team.

In a significant departure from its previous protectionist trade policy stance, the new minister of finance and trade and industry, Derek Keys, presented the government’s Normative Economic Model (NEM), in 1993, which argued that ‘the development of the manufacturing sector in South Africa during the 1960s and 1970s is typical of a country that has adopted an import replacement strategy’. The NEM argued instead for the reduction of tariffs and an export-oriented strategy driven by market forces (ibid: 204). In addition to trade policy, the state was moving away from its earlier role of intervention through parastatals. By the 1980s the disjuncture between English and Afrikaner capital had largely been eroded, manifesting itself in the increasingly influential roles played by Afrikaner conglomerates such as Sanlam and Rembrandt. This tendency of increasing conglomeration and interpenetration was also accompanied by the privatisation of state corporations, such as ISCOR and SASOL (ibid: 109).

In the third phase of apartheid, the manufacturing sector declined sharply with the deepening economic and political crisis. Government policies on trade and industry underwent a dramatic change reflected in at least three developments. First the Kleu Report called for a shift away from state intervention to free enterprise and private ownership. Second, the Department of Trade and Industry and the IDC moved decisively in support of these policies and downsized and marginalised the role of the BTI in trade and industrial policy making and trade negotiations. Third, Keys promoted the NEM, which called for policies of trade liberalisation and privatisation.

Blyth has argued that it is in periods of uncertainty that ‘ideas do not merely reduce uncertainty…they change and reconstitute those interests by providing alternative narratives through which uncertain situations can be understood’ (2002: 38). Blyth further argues that it is in moments such as this that ‘in comes the political entrepreneur, who touts an analysis that sorts out the confusion of other political actors by suggesting a plausible account of why the world no longer works as it did, and proposes a new programmatic
menu grounded in this analysis’ (ibid). South Africa’s business community, led by Derek Keys, had thus played a significant role in shifting the economic ideas from state interventionism towards more liberal economic policies. The political and economic crisis faced by the apartheid regime in the 1970s and 1980s provided both the challenge and the opportunity for these new economic ideas to gain influence. This shift in ideas in South Africa was to mirror that of the general thrust away from Keynesianism towards monetarism, following the economic ideas of Milton Freedman, and what was later to become known as neo-liberalism or the ‘Washington Consensus’ (Stiglitz, 2008: 41).

4. Conclusion

Thus, it is argued in this chapter that Blyth’s model of institutional transformation, discussed in Chapter 2, can be usefully applied to understand the process of change in South Africa’s trade and industrial policies from the beginning of the 20th Century to the end of the apartheid era. Blyth’s analysis takes us beyond Karl Polanyi’s ‘double-movement’ of history, which does not foresee that the pendulum would again swing towards ‘disembedding the market’ as we observe in the South African case. Thus Blyth’s model reflects that continuous movement of history from free market policies in the early 20th Century to more protectionist Keynesian policies that favoured national industrial development and the social welfare state, and then a reversal to free market policies, or neo-liberalism, in the 1980s and 1990s, which can be observed in the South African experience. However, while the model does help to locate South Africa’s failure to industrialise within a global context, it does not provide a comprehensive explanation for South Africa’s failure to industrialise.

The history of South Africa’s industrialisation reflects the rapid growth of the mining industry in the early 20th Century, which provided the base for the successful development of the manufacturing sector. From 1924, the state implemented an industrialisation policy that used import protection to encourage import substitution (Kaplan, 1976). The state intervened directly through the establishment of ISCOR, Eskom and SASOL, and utilised the IDC to develop joint-ventures with the private sector (Clark, 1994). The bulk of investment in manufacturing took place in the 1960s to take advantage of the rapidly growing domestic market and low wages (Black, 1991: 157-163). By the 1960s, output
growth in the manufacturing sector reached unprecedented levels and by 1970 the manufacturing sector was very diversified. Manufacturing’s share of GDP rose from less than 13 percent in 1946 to over 23 percent by 1970 (ibid). However, by the mid-1970s the manufacturing sector was on the decline. Manufacturing output fell from 7.3 percent between 1948 and 1973 to 1.9 percent, between 1973 and 1994 (Feinstein, 2005: 213). From 1980 to 1985, manufacturing output was negative, declining by 1.2 percent, with employment in the sector declining by 1 percent (Black, 1991: 157).

What are the reasons for the relatively unspectacular growth of South Africa’s economy, and in particular its industrial development, especially after the mid-1970s? At least five reasons can be distilled from the literature: first, the inability of the state to provide clear leadership in the continuing contradiction between mining and manufacturing in favour of industrial development (Gelb, 1991: 2); second, the continuing capital intensity of state-led projects that failed to extend to a more comprehensive industrial strategy (Fine and Rustomjee, 1996: 182-186); third, import substitution industrialisation policies of the state had to rely on a small South African domestic market that was further narrowed by its racial policies, which limited the market to white consumers (Black, 1991: 157-163); fourth, tariff policies of the state that tended to empower a narrow group of Afrikaner businesses (Fine and Rustomjee, 1996: 187); and fifth, the underlying fundamental tendency of apartheid policies, which undermined the human resource and productivity of the labour force (Feinstein, 2005: 128-129). While Blyth’s model succeeds in predicting the turn to neo-liberalism in the South African political economy in the 1980s, just as this global trend was deepening in the United States and Europe, the reasons provided by the writers above for the relatively poor performance of South Africa’s industrial development will need to be integrated into this analysis.

How did the apartheid state use the GATT to advance its objectives during the apartheid era, and in each phase of its existence: Grand Apartheid, the Golden Age, and Crisis and Reform? In the following chapters (4-7) of this study the specific role of South Africa in the GATT and how South Africa was to use the GATT to advance its apartheid interests, in each of these phases, is discussed. In the next chapter the discussion will focus on South
Africa’s development status. In particular, the discussion focuses on how South Africa perceived itself in the GATT and how it was perceived by other members of the GATT.
Chapter 4: The Politics of Apartheid South Africa’s Status in the GATT (1947-94)

1. Introduction

South Africa was one of the founding members of the GATT in 1947. The policies of the Afrikaner National Party that was elected in 1948 were based on ‘racial discrimination’ known as apartheid. South Africa’s racial policies of segregation were strongly opposed by developing countries while the developed countries remained indifferent to South Africa’s domestic policies in the GATT. South Africa at this stage considered itself as a developed country and was treated as such by the major powers (Kock, 1969: 223). Yet the majority of South Africa’s people were amongst the poorest in the world. Why did South Africa regard itself as a developed country in the GATT in 1947? This chapter will focus on this question. A second related question that this chapter will explore is how Apartheid South Africa’s developed-country status affected its attitude to developing countries in the GATT.

This chapter argues that Apartheid South Africa was to position itself as a developed country in the GATT because this reflected the interests of a narrow base of the Afrikaner elite and the white population. It was also building on a ‘collective self-concept’ – long established by Jan Smuts since the founding of the League of Nations in 1918 – of South Africa’s place amongst the major powers (Ruggie, 1994: 555; Mazower, 2009: 28-65). The leading role of Smuts in the development of multilateral institutions was briefly outlined in Chapter 2. It will be recalled that his ideas were central to the formation of the League of Nations to replace the Concert of Europe (consisting of Austria, Russia, Britain, Prussia and France), which had been the dominant interstate conflict management grouping in Europe since 1818 (Mazower, 2012). Mark Mazower points to the extraordinary role of Smuts, who, he states, helped to design the League. He refers to Smuts as ‘the South African white leader who became a leading theorist of imperial rule’ (ibid: 131) and that he was also a leading advocate of the idea of the British Commonwealth. Smuts saw the Commonwealth as part of an even larger Community of the League of Nations in which
the British Empire and the United States would be conjoined and bring together all civilised nations. Woodrow Wilson was influenced by this idea of an association of nation-states, which was to influence the creation of not only the League of Nations but the United Nations (ibid: 132). In his ideational analysis of US foreign policy, John Ruggie has argued that both Wilson and Franklin Roosevelt reflected the ‘deeply embedded factors in the American sense of community itself’ (Ruggie, 1994: 554) and thus supported the creation of multilateral institutions after the First World War and Second World War, respectively. He argued that these institutions reflected ‘America’s own collective self-concept’ (ibid: 555).

Ruggie’s conception of the norms and values of the multilateral system that emerged after the Second World War, including the GATT, needs to be put into the context of the ideas and vision of Smuts. He was clearly a visionary for his time and contributed to the liberal ideas on multilateralism of both Wilson and Roosevelt. Yet, how do we explain the fact that Smuts was, at the same time, building the foundations of segregation at home in South Africa? As discussed in Chapter 3, the formation of the Union of South Africa in 1910, led by Smuts, excluded the majority of South Africa’s people from its citizenship, and Smuts was to be the architect of laws that deepened racial segregation in South Africa from then until his political demise in 1948. This inconsistency in the ideas and norms of Smuts can also be seen in his vision for the United Nations. Mazower argues that while the Preamble of the UN Charter, which was drafted by Smuts and agreed at San Francisco in 1945, had called for the UN to ‘re-establish faith in fundamental human rights’, Smuts had not called for the dismantling of the segregationist state in Africa, or that of the British Empire as a whole, ‘nor did he see any incompatibility between his rhetoric and his policies’ (Mazower, 2009: 64). The theoretical work of Robert Cox and E.H. Carr provide some insights into this apparent contradiction. E.H. Carr argued ‘theories of morality are always the product of a dominant group’ (Cox, 2002: 61).

Mazower argues that at the time of the creation of the United Nations, in Smuts’ mind the Charter contained little that was incompatible with his view of the world. Mazower also states that the Charter contained no commitment to granting independence to the colonies at all, and the UN could emerge, as Smuts had intended, ‘as a force for world order, under
whose umbrella the British Empire – with South Africa as its principal dynamic agent on
the continent – could continue to carry out its civilizing work’ (Mazower, 1999: 65).
Therefore the idealism of Wilson and Roosevelt, that Ruggie has referred to, has to be seen
in the context of the vision and approach of Smuts at the time of the creation of the United
Nations in 1945 and the GATT two years later.

South Africa’s projection of itself as a developed country in the GATT and its recognition
by other developed members of GATT as a ‘developed country’ was steeped in its political
perception of itself as belonging to the ‘Western civilised group of countries’, while the
developed countries regarded the white minority regime as part of the ‘Western civilised
group’, and as part of the British Commonwealth of Nations, together with Australia, New
Zealand and Canada. However, the perception of Apartheid South Africa amongst many
of the developing countries differed significantly from that of the developed countries.
India, at the outset of the formation of GATT, and later a large group of African countries
were to protest strongly in the organisation at the country’s racial discrimination policies.
The developed countries in the GATT, on the other hand, continued to maintain the idea
of the GATT as neutral and indifferent to the politics of its members.

Apartheid South Africa’s status as a developed country was to also influence its attitude to
developing countries in the GATT. Its behaviour and attitude to developing countries
largely mirrored that of the major developed states. However, there were some nuances to
this attitude, as it became more sympathetic to the concerns of developing countries when
these concerns reflected its own interests. By the mid-1980s, South Africa’s racial policies
were under attack by the anti-apartheid movement, combined with sustained internal
resistance to the apartheid regime by the majority of the country’s people. In this context
the rebellion by the African Group to the participation of South Africa in the Punte del Este
Ministerial Conference, in 1986, was foreseeable. However, an examination of the GATT
documentation reveals that the approach of the developed members of the GATT that
regarded the institution as politically neutral and maintained an indifferent attitude to South
Africa’s racial policy, became unsustainable in the 1980s, and created a crisis in the
organisation. It is argued that the different views of the developed and developing countries
on the actions that needed to be taken against Apartheid South Africa in the GATT can be
understood when the differences in the ideas, vision and norms of the main architects of the multilateral system, Wilson and Roosevelt, on the one hand, and Smuts on the other, is considered.

The chapter concludes that the question set out above can be explained by the underlying contradictions in the ideas, vision and values of these architects of the multilateral system. It will be further argued that the inherent contradiction in South Africa’s status as a developed country was to become clearer when the political and economic crisis of apartheid in the late 1980s stimulated new ideas to facilitate its political and economic transformation, and as part of these new ideas its trade diplomats and political leaders called for it to be considered as a developing country. The latter issue will be discussed further in chapter 7.

This chapter is structured as follows: section 2 discusses South Africa’s apartheid policies and its development status in the GATT. In section 3, South Africa’s attitude to developing countries in the organisation will be examined. Section 4 discusses the opposition by developing countries against Apartheid South Africa in the GATT in the 1980s. The concluding section 5 summarises the discussion and raises some questions for further reflection.

2. South Africa’s apartheid policies and its development status

In this section Apartheid South Africa’s perception of its development status in the GATT, and the attitude of its members to the country’s apartheid policies, is discussed. The analysis begins with South Africa’s policy of segregation, as this issue was to emerge at the very outset of the formation of the organisation. The evidence from the GATT documentation indicate that developing countries led by India were to criticise South Africa’s segregation policies from the outset, while developed countries remained indifferent to these policies in the GATT as they projected the organization as politically neutral. It is argued that the attitude of the developed countries can be understood in the context of the contradictions in the ideas of the main architects of the multilateral system, including Smuts.
South Africa participated in the deliberations of the UN Economic and Social Council meetings, from the first session, held in London in 1946, until the final plenary meeting on the Havana Charter held in Cuba in 1948. The GATT documentation reveals that it was active in the textual negotiations and submitted proposals and amendments on a range of issues.¹

South Africa’s racial policies were to be put under scrutiny at the first meetings of the GATT on the debate on the validity of Article XXXV. Interestingly, the documentation reveals that A.J. Norval, who was to play a very active role in the development of South Africa’s trade and industrial policies, led Apartheid South Africa’s defence of its racial policies in the GATT debate. South Africa was an ardent proponent of the principles of multilateralism from the founding of the League of Nations. It played a key leadership role in the development of the multilateral trading system – primarily through the influence of Smuts. However, his domestic policies of segregation were severely challenged when, in the first session of the General Assembly of the United Nations in 1946, the Indian delegation led by the sister of Jawarlal Nehru, Vijaya Lakshmi, charged South Africa with ‘racial discrimination’ against citizens of Indian descent. Mazower states that the ‘Indians wanted to expose the wicked policy of General Smuts, the South African Prime Minister at the time, in all its nakedness before the world’ (Mazower, 2012: 255). The Indians won their vote against Smuts to the surprise of the South African delegation. In 1947, India wished to give expression to its economic boycott and at its request Article XXXV was added to the GATT in March 1948. The article provided that the GATT would not apply as between any two contracting parties that had not entered into tariff negotiations with each other (Curzon, 1965: 37). In the discussion below the GATT documentation on Article XXXV is examined to reveal the approach taken by India and other developing countries to South Africa’s apartheid policies in the organisation.

The first dispute that broke out in the GATT was on the application of the validity and application of Article XXXV, which provided flexibility for acceding members by allowing them to refuse to enter into contractual arrangements with some incumbent GATT contracting parties. Article XXXV was brought in as an amendment to the GATT by India after the original document was signed in Havana, on 30 October 1947. Article XXXV is
headed: ‘Non-application of the Agreement between Particular Contracting Parties’, and
provides that: ‘This agreement, or alternatively Article II of this Agreement, shall not apply
as between any contracting party and any other contracting party if: a) the two contracting
parties have not entered into tariff negotiations with each other, and b) either of the
contracting parties, at the time either becomes a contracting party, does not consent to such
application’ (WTO, 1999: 467; Mavroidis, 2007: 394). The US did not object to India’s
claims under the article. How did the GATT allow its members to remain part of the
organization and yet discriminate against particular members? Petros Mavroidis explains
that this was due to the fact that many countries still regarded each other as enemies
immediately following the Second World War. Mavroidis lists several countries that did
invoke Article XXXV against others (Mavroidis, 2007: 395). For example, he lists the US
as having invoked it against Armenia, Moldova, Georgia, the Kyrgyz Republic and
Mongolia. In addition, Turkey is listed as having invoked it against Armenia, and El
Salvador against China.

Norval, the South African delegate to the GATT, made a lengthy statement at a meeting of
the GATT contracting parties on 20 August 1948. Norval argued that the proposed article
should not be considered as it was brought in as an amendment and, ‘was incompatible
with the whole spirit of the agreement’. He thus declared that ‘the right to such unilateral
action as can be claimed under the proposed Article XXXV which, as you will appreciate,
is to us wholly objectionable and my government, accordingly are not prepared to set their
hands to it’. In its reply to the South African statement, the Indian delegation argued that,
‘So far as the Indian Delegation is concerned, all the benefits accruing from the General
Agreement are as nothing to that government when compared with the serious implications
which the application of the Agreement between India and South Africa has for India’s
national prestige’. The chairman of the meeting concluded his summary by stating that, ‘I
have reached the conclusion that the South African representative has not established his
case to the satisfaction of the Contracting Parties’. Article XXXV thus was retained as
part of GATT law.

The governments of India and Pakistan had applied the provisions of the article between
themselves and South Africa and thus not extended most-favoured-nation treatment to
South Africa. Other countries, especially from North Africa, that were to join the GATT much later also adopted the provisions of Article XXXV in protest against Apartheid South Africa. In an interview I conducted with Chakravarthi Raghavan, an 88-year-old GATT expert, who practised as a young journalist at the time recalls the story of India’s strong stance against South Africa in the GATT. He also explained that the new government of Pakistan was to come under pressure from the British to restore its trading relations with South Africa after its partition from India. Pakistan thus, had on 21 December 1956 submitted the following notice: ‘The government of Pakistan has now advised its decision to withdraw this reservation. Consequently, the General Agreement will now be fully in force between Pakistan and South Africa’. 

In a very comprehensive statement by the South African delegation to the GATT, Norval set out the normative basis for its participation in the organisation as follows: ‘South Africa came to Geneva in 1947 with the sincere determination to help establish a new framework for international trade with which peaceful economic development of all nations could be achieved’. He went on to state: ‘For the sake of promoting a new spirit in world trade South Africa did not negotiate on a strictly quid-pro-quo basis. In a few instances South Africa actually entered into agreements whereby tariff concessions were granted without asking or getting anything in return’. He further argued that, ‘we one and all accepted throughout our discussions the fundamental and sacred principle of unconditional most-favoured-nation treatment. This guiding concept was enshrined in the Geneva text of the Agreement as authenticated by the Final Act’. 

In his reply, the Indian delegate exposed the contradiction in the South African statement. He stated that the South African delegation ‘has warned us of the inadvisability of permitting unilateral action and has reminded us that we must all be prepared to sacrifice some measure of our national autonomy in the interest of the common good’. He continued, ‘How we wish that South Africa had herself set an example by practicing the noble principles, which she preaches with such eloquence at international conferences. If the government of South Africa had not disregarded the clear mandate given by the United Nations on the particular issue which is the cause of the dispute between South Africa and India, all this trouble would have been saved’. The cause of the dispute between India and
South Africa was of course the segregation and apartheid policies of the latter, discussed in Chapter 3. India had successfully called for the United Nations to denounce these policies at a meeting of the organisation in 1946.

The GATT had styled itself as being politically neutral and thus indifferent to the policies of racial discrimination that were practiced by South Africa domestically. India had nevertheless argued that these apartheid policies were an affront to its values and principles and thus used the provision of Article XXXV to ban any trade between India and South Africa. It is ironic that Norval, as South African delegate, appealed to India to apply the GATT principle of ‘non-discrimination’ (most-favoured-nation). As discussed above, this principle was applied by the GATT in the context of trade between nations and not between races. South Africa thus appealed to India to adhere to the principle of non-discrimination between nations while practicing racial discrimination domestically. While India pointed to this contradiction in the position of South Africa, the developed countries of the GATT were not persuaded to take a similar stance by applying Article XXXV in their trade with South Africa.

The principle of political neutrality of the GATT, agreed by the developed countries, was, however, not applied in practice. The United States was to use the article to ban trade with Armenia, Moldova, Georgia, the Kyrgyz Republic and Mongolia in the context of the Cold War (Mavroidis, 2007: 395). E.H. Carr’s insight that ‘theories of morality are always the product of a dominant group’, helps us understand this contradiction in the ideas and practices of developed countries in the GATT (Cox, 2002: 61). This contradiction, by both South Africa and the developed countries, will again become evident in the discussion below of the development status of South Africa in the GATT.

South Africa always regarded itself as a developed country in the GATT. It was recognised as such by the developed countries, although it had many characteristics of a developing country. It is argued that the reason it regarded itself as a member of the developed country club and was that it perceived itself to be part of the ‘white civilised group of nations’ and was recognised as such by the developed countries of the GATT. The white minority that ruled South Africa was regarded as part of ‘Western civilisation’ just as the white settler community was in Australia, New Zealand and Canada. South Africa, however, was to
argue, like Australia, that it was ‘less industrialised’ than the advanced industrial countries and thus required more flexibility to address its particular development needs.

The country was to use this flexibility to its maximum to both express its support for the GATT ideas and principles, and deviate from them in practice at the domestic level, in a similar manner to what Smuts had done in an earlier period of history. Smuts it will be recalled had been laying the foundations of segregation domestically in South Africa while creating the framework for multilateralism abroad. The attitude of Apartheid South Africa to its development status in the GATT largely reflected his ideas and vision. Smuts considered the United Nations together with the GATT, ‘as a force for world order, under whose umbrella the British Empire – with South Africa as its principle dynamic agent on the continent – could continue to carry out its civilizing work’ (Mazower, 1999: 65).

The early historians of the GATT confirm that South Africa was always regarded as a developed country in the organisation. For example, in the preparatory negotiations for the Havana Conference, it was treated as a developed country (Kock, 1969: 223). Karin Kock lists only four less-developed countries that participated in both the preparatory process for the Havana Charter and that took part in the first tariff negotiations of the GATT: India, Brazil, Cuba and Lebanon (1969: 223). Gardner Patterson also states that in the early period of the GATT, New Zealand, Australia and South Africa were included in the ‘developed’ category, though not in the ‘industrialised’ category, while Israel, Greece, Turkey, Yugoslavia, Spain and Portugal were usually, but not always, included in the less-developed country list (1966: 324). The GATT documentation also reveals that in the discussion above on balance of payment restrictions South Africa had recourse to Article XII (for use of developed countries) rather than Article XVIII (for use of less-developed countries) in the Balance of Payments Committee (discussed in Chapter 5). This also confirms that South Africa regarded itself as a member of the developed country club in the GATT and was recognised as such by its developed country members.

South Africa was to constantly distinguish itself from the most advanced industrialised countries. In response to pressures for South Africa to implement the Tokyo Round codes, South Africa’s minister of industries, commerce and tourism, Dr. Dawie de Villiers, at the Thirty-Eight Session Ministerial Meeting (24-27 November 1982), went on to lower the
expectations of the commitments it was required to make by stating: ‘South Africa has on numerous occasions stressed its particular requirements consistent with the country’s development needs. This must necessarily have a bearing on South Africa’s ability to assume commitments comparable with those accepted by the highly industrialized countries’. Thus it is interesting that while South Africa had clearly participated in the early GATT rounds as a developed country it was to regard itself as a ‘less industrialised country’ than the advanced developed countries. It was to make this case on specific issues to defend and advance its interests, particularly when it sought to maintain or increase protection for its industrial and agricultural lobbies. How did other GATT members regard South Africa’s development status?

The developed members of the GATT regarded South Africa as a developed country but had also recognised that, like Australia, New Zealand and Canada, it had some specific development characteristics that required special consideration. Koch records that South Africa’s approach on its development status in the GATT closely followed that of Australia. From the very beginning Australia had also claimed for itself a special position among GATT members. It argued that though it had a high standard of living, it was coping with the same problems as many less-developed countries in its dependence on the export of a relatively small number of primary products. Australia thus claimed that it was in a ‘continuing industrialization process’ which justified high tariffs to safeguard domestic infant industries (Kock, 1969: 221). Thus in the Kennedy Round South Africa, Australia, Canada, and New Zealand were recognised as ‘countries with special trade structures, with whom negotiations, with respect to reciprocity, would aim at a balance of advantages based on trade concessions by them of equal value’ (ibid: 106). In the United Nations Conference on Trade and Development (UNCTAD) in 1964 Australia complained that, ‘the tenor of most resolutions before us is to divide all countries into only two categories – developed and developing – and not to recognize stages of development between these two extremes. They thus do not provide for developing countries to progress from their present status, through an intermediary stage, to developed status’ (ibid: 222). It is argued here that South Africa was to use this more nuanced approach to its status to create the flexibility it needed to implement its domestic trade and industrial policies.
In the new Part IV a clear differentiation is made in the text between ‘less-developed’ and ‘developed’ countries, but, contrary to Article XVIII, no definition or criteria is given for whether a country should be recognised as less-developed or developed (ibid: 220). No attempt was made to fix quantitative criteria (e.g., GNP levels). It was left to the country itself to decide whether its economy was less-developed or not. At the UN Conference on Trade and Development (UNCTAD) in 1964, 77 countries – among them 45 members of the GATT- claimed that they were less developed (Kock, 1969: 220). Thus, in the Kennedy Round countries could declare their intention to negotiate under the special rules for less-developed countries. Although South Africa was regarded by GATT members, and saw itself, as a member of the developed country club in the organisation, this position took on some interesting nuances in the late 1960s as the GATT documentation discussed below indicates. South Africa, like Australia, was still considered to be a ‘non-industrial’ member of the developed members club. However, the 1967 GATT Annual Report suggests that some progress towards greater diversification had taken place in both countries. The GATT secretariat submitted a draft text for its 1967 Annual Report to members for comment. The text grouped Australia, New Zealand and South Africa together and referred to them as ‘Non-Industrial Areas’.9

The GATT documentation on the issues of anti-dumping and countervailing duties (AD/CVD) in 1972 helps to illustrate South Africa’s attitude to its status as a developed or developing country at the time. The chair of the Committee on Anti-Dumping Practices invited Australia, New Zealand and South Africa to make representations to the Committee at its 1972 meeting and discuss their concerns with the Anti-Dumping Code. Both New Zealand and Australia had expressed reservations with adopting the Code as they saw no real benefits for them. In the discussions that followed in the Committee, South Africa stated that it had not participated in the negotiations for the drafting of the Code and that ‘acceptance of the procedures of the Code would involve a substantial change of South Africa’s practice’.10 It also stated that, ‘since the entry into force of the Code on 1st July 1968, only 22 out of a total of 80 contracting parties had accepted the code’ and that ‘eighteen of the adherents were highly industrialized countries’. ‘South Africa’ it was further argued, ‘had not achieved that stage’, and ‘it should be recognized that countries in different stages of economic development had divergent needs and interests’. The country
also ‘had a limited market and was in the process of industrialization’. The South African delegate stated that ‘only a few of the eighty contracting parties to the GATT ever took anti-dumping action and…the only parties which were active in this field but which had not adhered to the Code, were South Africa and Australia’.

Gustav Brink (2005), in his study of anti-dumping in South Africa confirms this approach taken by South Africa vis-à-vis the GATT rules. Despite the pressure brought to bear on South Africa by the GATT to change its domestic rules to conform with its Anti-Dumping Code, it was only in 1975 that an inter-departmental committee on dumping made ‘recommendations regarding several aspects, including that South African legislation be amended to come in line with the Anti-Dumping Code of 1967, and South Africa become a signatory to such Code’ (Brink, 2005: 22). It was then not until 1982, according to Brink, that the minister of industries, commerce and tourism indicated that South Africa ‘decided in principle to sign the Agreement on the Interpretation of Articles VI, XVI and XXIII of the General Agreement’ and that ‘active consideration [was] being given to adherence to the Anti-Dumping Code’. It was also only in 1992 that the necessary reforms were brought about with the founding of a directorate dedicated to anti-dumping investigations (ibid: 24). Thus South Africa, like Australia, while assuming the classification of a developed country, continued to argue that it was ‘less industrialised’ and thus required more flexibility to support its industrial development policies at home. This theme is further discussed in Chapters 5-7.

It has been argued here that South Africa’s projection of itself as a developed country in the GATT and its recognition by other developed members of GATT as such was steeped in its political perception of itself as belonging to the Western civilised group of countries, which the developed countries regarded the white minority regime as a part of, as well as of the British Commonwealth of Nations, together with Australia, New Zealand and Canada. South Africa, like Australia, had been creative in formulating an approach to its development status that allowed it a measure of flexibility in its implementation commitments in the GATT. Also like Australia it had been granted the status of ‘less-industrialised’ developed country. However, as will be observed in Chapters 5-7, South Africa was to continue to propagate the ideas and principles of the GATT while deviating
from them in practice. Nevertheless, it was to mostly behave as a developed country and assume the attitude of a developed country in its relationship with developing countries in the GATT. In the section below the GATT documentation is examined to gain some further insights as to how South Africa was to treat other developing countries in the organisation.

3. South Africa’s attitude to developing countries

The discussion above has argued that South Africa regarded itself as a developed country in the GATT and was recognised as such by the developed countries. In this section we discuss the related question of what South Africa’s attitude was towards other developing countries. It will be argued that its attitude was somewhat ambivalent, on some occasions reflecting sympathy towards the concerns of these countries, and on others joining the developed countries in expressing disapproval. To provide some context for this discussion and a basis for comparison, the academic literature of the early historians on the attitude of developed countries towards developing countries is briefly reviewed.

How were developing countries in the GATT treated by the developed members? Kock states that while the Havana Charter had recognised the special situation of developing countries through a chapter on economic development, the GATT only included two articles from this chapter, which were ‘included in an article on government assistance’ (1969: 67). Curzon observes that in practice Article XVIII was hardly ever invoked as countries had to prove the viability of the industry that was proposed to be established and to obtain the agreement of other contracting parties (1965: 211). In 1955, the GATT was revised and a new introduction given to Article XVIII recognising the particular situation of developing countries by referring to them as ‘particularly those contracting parties the economies of which can only support low standards of living and are in the early stages of development’.

By the late 1950s, agricultural protection in developed countries hampered international trade in this sector, and it was widely recognised that the GATT had not addressed the problems of developing countries (Kock, 1969: 88). The contracting parties thus created a panel of experts in November 1957 to address this, consisting of Professors Gottfried Haberler (chair), Roberto de Oliveira Campos, James Meade and Jan Tinbergen. They
presented their report (the Haberler Report) to the meeting of ministers in November 1958. It was not until 1965, when Part IV (which came into force the following year) was added to the GATT that this gap on trade and development in the organization was addressed. Part IV recognised that due to the differences between developed and developing countries the principles of free trade, MFN, and reciprocity could not be applied to the situation of developing countries without appropriate flexibilities. For the first time developed countries agreed not to expect reciprocity in tariff concessions from developing countries.

In his report to UNCTAD in 1964, Raul Prebisch, the first secretary general of UNCTAD, criticised the GATT for not addressing the plight of the developing countries. He argued that GATT rules had to be amended to take into account ‘the consequences of the structural inequalities between industrial and developing countries’ (ibid: 265). Prebisch went on to argue that the reason that developing countries regarded the GATT with a great deal of skepticism was that firstly, it was based on the ‘classic concept that the free play of international economic forces by itself leads to the optimum expansion of free trade’ and secondly, that ‘the rules and principles in question have not always been strictly complied with and, even though they seem to have been observed in the letter in certain instances, the spirit underlying them has not been respected’ (Kock, 1969: 235). The issue he observed, that the developed countries, while insisting on the need for developing countries to open their markets to them, had a tendency themselves not to comply with ‘the rules and principles’ of the GATT, became controversial within the organisation. South Africa too could be easily charged with this inconsistency. How did South Africa behave towards other developing countries? This issue is explored further here with reference to the GATT documentation.

On some occasions South Africa was to reflect sympathy and on others disapproval with the issues of interest to developing countries. It took on the mantle of a developing country, when it suited its interests, although it tended to associate itself with the category of countries that fell between less developed countries and more industrialised ones. In his statement to the 1954 GATT Review, Minister Louw was clearly not supportive of the demands by developing countries to use article XVIII to support their nascent industries, although South Africa was already using the balance of payments provisions and the article
to do exactly this (discussed in the next three chapters). Thus Louw was to say of Article XVIII, which was being designed for the use of developing countries, that the ‘proposals…if approved, would allow certain countries a greater measure of freedom to use quantitative import restrictions for purely protective purposes’. He was referring to the proposals to expand the provisions of the article: ‘if Article XVIII is now amended so as to provide more liberal opportunities for the use of quantitative import restrictions to stimulate the industrial development of underdeveloped countries, we would, in effect, be seriously weakening, instead of strengthening the Agreement’.¹¹

In a subsequent Ministerial Conference of the GATT in 1963, Nico Diederichs, the minister of economic affairs, expressed South Africa’s perspective on free trade and development as follows: ‘since the time when the GATT was concluded in 1947 many of the then less-developed countries have made progress towards industrialisation and the diversification of their economies and find themselves today in the position that these developments and the welfare of the people involved cannot, in the words of Dr Mansholt, be made the victims of freer trade’.¹² In the same statement, Diederichs went on to state: ‘it is true that since 1947 the terms of trade have in general moved against the producers and exporters of primary products. We believe therefore that the value of the concessions granted by us to the recipients has been considerably enhanced and the value of those we received has been diminished. In addition, the wider introduction and more intensive application of non-tariff barriers tend to reduce and restrict access of agricultural and primary products to important markets’.¹³

Towards the late 1960s South Africa began to express its sympathies with the situation of less-developed countries in the GATT. In his statement to the contracting parties on the Review of the Work of the Contracting Parties and Future Work Programme in November 1967, Secretary of Commerce Kotenberg stated that ‘South Africa believes that the barriers, tariff or non-tariff to products of special interest to developing countries should be minimized’.¹⁴ This suggests that while it could identify with the concerns of the developing countries, which were mainly producers of primary products, the country regarded itself as part of the developed world politically.
South Africa’s attitude to the accession of Japan to the GATT and its use of Article XXXV toward the latter is also an indication of how closely its attitude reflected that of most of the developed countries in the GATT. Patterson observes that the practices and policies of the rest of the world towards Japan, in the two decades after WWII, ‘built up approval for use of discriminatory measures, for sheer protectionist purposes; when competition was severe, was associated with low wages, and was concentrated on relatively slow growing, labour intensive domestic industries, due to the protection of inefficient industries in the North’ (1966: 317). Opposition to Japan’s request for accession in 1951 was led by the UK and it was not until 1955 that Japan was allowed into the GATT club. However, some countries still invoked Article XXXV, making GATT rules non-applicable to their relations with Japan, as they were continuing to discriminate against Japan through the use of high tariffs and quotas (Patterson, 1966: 286). Included in the 14 countries that continued to discriminate against Japan were South Africa and the UK. Britain only revoked the article in 1963 (ibid: 286). South Africa had earlier invoked it against Japan for economic reasons. On 25 September 1985 South Africa informed the GATT that ‘their Government has decided to withdraw the invocation of the provisions of Article XXXV of the General Agreement with respect to Japan with effect from 1 October 1985’.15

The discussion thus illustrates that South Africa’s attitude towards the needs and interests of developing countries in the GATT largely reflected that of developed countries at the time. However, its attitude became more nuanced when the issues concerned reflected its own developing country situation and interests as well. This was the case Kotenberg was referring to when he talked of the ‘barriers, tariff or non-tariff to products of special interest to developing countries should be minimized’. These products, which faced huge barriers to entry in the developed countries (agriculture and textile products), were largely the ones that were also of interest to South Africa. This ambivalence was to reflect the contradiction in South Africa’s position in the GATT, of taking on the mantle of a developed country, but largely and increasingly reflecting the interests of a developing country. It was this contradiction that was to be exposed when Apartheid South Africa’s last stance in the GATT, at its 1993 Trade Policy Review (TPR) was to plead to the members of GATT to allow it to change its status from developed to developing. This issue will be discussed further in Chapter 7.
In the next section the growing opposition to Apartheid South Africa in the GATT in the 1980s, and the rebellion by the African group of countries against its participation at the launch of the Uruguay Round, is discussed.

4. The opposition to Apartheid South Africa in the 1980s

The GATT had maintained an attitude that it was not a political forum and focused on economic and commercial issues. However, South Africa’s presence in the organisation had always created discomfort amongst many developing countries. As was discussed India had shown its displeasure by invoking Article XXXV at the time of the formation of the GATT (also discussed in Chapter 3). By the early 1980s, the attitude of the developed countries in the GATT that it was politically neutral and could not act against South Africa’s racial policies was beginning to be unsustainable.

Chapter 3 discussed the growing opposition to apartheid by civil society institutions across the world, including in the United States and Europe, that created the necessary pressures for some action against Apartheid South Africa by Western governments. The major Western countries began to apply selective trade sanctions against South Africa in the mid-1980s. In addition, developing countries, especially in the African Group, became increasingly uncomfortable with South Africa in the GATT. An interesting issue revealed by the documentation is the dispute that broke out during the launch of the Uruguay Round, in Punte del Este, Uruguay in 1986 on South Africa’s apartheid policies. The archival documentation reveals some interesting insights about how the debate in the GATT on South Africa’s policies of racial segregation took place, and how it was managed by the secretariat.

A crisis broke out in the GATT during the preparatory process leading to the launch of the Uruguay Round in Punte del Este. The African Group, which had been growing in strength as more countries from the continent joined the GATT, decided to protest within the organization at South Africa’s apartheid policies and demanded its exclusion from the Uruguay ministerial meeting. The resolution of this ‘crisis’ reveals that developed countries wanted to maintain the GATT attitude of political neutrality, despite the fact that, as discussed, the ideas and perceptions that permeated the multilateral institutions were not
neutral. While the vision and idealism of Wilson and Roosevelt discussed by Ruggie had clearly influenced the creation of the multilateral institutions after the war, the vision and ideas of Smuts, one of the main architects, was also to influence the nature of the multilateral institutions that were to emerge.

Smuts’ idea of liberal internationalism was based on a commonwealth of ‘civilised nations’ that included the white minority in South Africa. However, it did not extend to the idea of de-colonization, which was translated by Smuts as that of ‘trusteeship’ – the basis for his claim to Namibia, known then as South West Africa. As Mazower put it, ‘the idea of turning former German and Ottoman possessions into League mandates turned out to be an ingenious way of squaring the circle between the British Dominions’ demand to annex former German colonies and the need to pay lip service to Wilsonian idealism’ (1990: 45). Smuts in fact had a grander vision to create a ‘white state in time more important than Australia… a chain of white states which will in the end become one from the Union to Kenya’ (ibid: 50). Thus ideas and norms of the United Nations and the GATT need to be understood in the context of this contradiction in the UN between Wilsonian idealism and de-colonization on the one hand and that of the continuation of the British Empire and ‘white states’ in Africa on the other. The different views of the developed and developing countries on the actions that needed to be taken against Apartheid South Africa in the GATT can be explained in the context of these contradictions in the ideas and norms that underlay the foundation of the organisation.

The approach of the GATT to the issue of Apartheid South Africa’s racial policies is well described by the headline of a news article of the rebellion to South Africa’s participation in the GATT Punte del Este meeting: ‘South Africa Problem Does Not Exist for GATT’ (Raghavan, 1986). In the preparatory meeting in Geneva for the conference (known as PREPCOM), on 31 July 1986, Nigeria raised the issue of South Africa’s participation at the conference. It is reported to have stated that South Africa’s apartheid policy resulted in ‘systematic denial of basic human rights for the vast majority of the population’ and was being pursued ‘in defiance of UN resolutions and in violation of international law’. Seven other African countries then spoke in support of Nigeria’s statement: Egypt, Zimbabwe,
Gabon, Cameroon, Tanzania, Haiti and Zaire. Zimbabwe and Tanzania had called for South Africa to be excluded from the Punta del Este meeting (ibid).

Journalist Chakravarthi Raghavan reported that the director general of the GATT at the time, Arthur Dunkeld, managed the crisis that arose by stating that ‘there are no formal proposals before the GATT for excluding South Africa from the Punta del Este meeting’ and confirmed that ‘the problem therefore does not exist for GATT’. During the launch of the Uruguay Round the African Group expressed its displeasure at the policies and practices of the apartheid government statement. The minister of trade of the Popular Republic of the Congo, H.E. Alphonse Souchlaty Poaty, stated that: ‘The purpose of this intervention on behalf of the African Group with the GATT is to bring to your attention and for that of this august assembly the fact that a Contracting Party, sitting in our midst, still believes in and practices archaic economic policies which dehumanise the majority of its population within a system called apartheid; a population whose productive activities generate the goods which enable South Africa to benefit from the provisions of the GATT’. The minister then made a plea: ‘We therefore seize this occasion to reiterate the call for total and mandatory, including trade embargo to be imposed on South Africa’.

Other developing countries that had later acceded to the GATT such as Egypt, Morocco and Tunisia also decided to follow India’s example and apply Article XXXV to their trade with Apartheid South Africa. During his travels while ‘underground’ in the early 1960s, Nelson Mandela had travelled to several African countries, including Egypt, Morocco and Tunisia (Mandela, 1995: 286). He obtained their support for the ANC campaign against apartheid and when these countries joined the GATT they decided to follow the example of India in 1947 by applying against South Africa the provisions of the article. The GATT secretariat TPR Report on South Africa of 3 May 1993 records that ‘Egypt, India, Morocco and Tunisia do not apply the GATT to South Africa, under Article XXXV’ and that South Africa accords MFN treatment to all contracting parties, except ‘Egypt and India’. These countries began to normalise their trade with South Africa when it became a democracy in 1994. In February that year, Egypt informed the contracting parties that it had ‘decided to withdraw the invocation of the provisions of GATT Article XXXV of the General Agreement with respect to South Africa with effect from 24 February 1994’.
the time of its accession to GATT on 20 July 1990, the government of Tunisia had also decided to invoke the article in respect of South Africa. Then in a communication dated 29 March 1994 Tunisia duly informed the secretariat of its ‘decision to withdraw the invocation of Article XXXV in respect of South Africa’. Similarly at the time of its accession to the GATT on 17 June 1987 Morocco had decided to invoke the article against it and communicated on 21 June 1994 its revocation. On 19 October that year India also revoked the provisions of the article against it.

Thus the discussion above of the archival documentation reveals that while the GATT maintained the attitude that it was not a political forum and focused on economic and commercial issues, South Africa’s presence had always created discomfort amongst many developing countries. Several had thus followed India’s example in 1947 in applying Article XXXV. The developed countries for most part did succeed in maintaining the idea that the GATT was politically neutral. The rebellion by the African Group in 1986 did, however, create a crisis in the GATT, as developed countries wanted to maintain political neutrality, even at this late stage when there was growing pressure across the world to isolate South Africa and apply trade and political sanctions. David Hartridge, Arthur Dunkeld’s advisor at the time, confirms that the latter made every effort to play the issue down and not allow it to disrupt the process of launching the Uruguay Round and that he succeeded in this effort. It was clear that the major developed country players at the time did not want to bring South Africa’s apartheid practices into focus in the GATT. However, Dunkeld did request South Africa to reduce its profile in the GATT and its officials in Geneva at the time confirm that they did in fact play a more subdued role after the Punte del Este incident for fear of stirring up further protests by the African countries.

However, at the time of the launch of the Uruguay Round there was a major debate underway in the US Congress on South Africa’s apartheid policies and the need for trade and other economic sanctions to be taken against it, which led to the passing of the Comprehensive Anti-Apartheid Act in October 1986. The GATT secretariat 1993 TPR Report on South Africa records that from 1985-86 onwards the leading industrialised nations intensified official trade sanctions on the country. This included import bans on iron and steel, gold coins, coal and in some cases agricultural products and textile and
clothing. Existing bans on exports of oil and military equipment were also reinforced. Nevertheless, under the Comprehensive Anti-Apartheid Act, the United States exempted strategic minerals and metals from the import ban.²⁴

The idea of political neutrality of the GATT was viewed differently by developed and developing countries. The issue of South Africa’s policies of segregation was, however, to reflect the sharply different perspectives of developed and developing countries on political neutrality. India had insisted that these racial policies needed to be strongly opposed and it thus implemented a total ban on trade with the country from the outset in 1947. While several other developing countries followed India’s example in the GATT, and the African Group insisted that South Africa be excluded from the launch of the Uruguay Round in 1986, the developed countries and the GATT secretariat maintained the idea of the political neutrality of the organisation.

The political perceptions of Apartheid South Africa differed substantially between developed and developing countries. In the context of the discussion above on the underlying differences in perspective between that of the idealism of Wilson and Roosevelt and the ideas and vision of Smuts, who believed that the UN was to be an enlarged commonwealth of ‘civilised nations’ with South Africa at the center of ‘a chain of white states’ across Africa, helps us understand the lack of an agreed moral basis or values in the GATT.

However, the developed countries in the GATT were to apply this idea of political neutrality selectively and inconsistently. Mavroidis records that the US had in fact applied Article XXXV to its trade with several countries in the GATT that it considered to be its enemies in the context of the Cold War (Mavroidis, 2007). Even in the case of Apartheid South Africa while none of the developed countries applied Article XXXV against it, they did apply limited trade sanctions from 1985-86, as the US had passed the aforementioned Anti-Apartheid Act in October 1986. The insights of E.H. Carr are helpful in explaining this inconsistency: ‘theories of morality are always the product of a dominant group’ (Cox, 2002: 61). Ideas of morality can also be changed or deviated from when these dominant groups believe that it is no longer in their interest to subscribe to them. Thus Mazower’s reference to the insight from a German jurist of the 1930s: ‘Real power lay in the power to
set the norms and to decide when they applied and to whom’ (2012: 181), is also helpful in explaining the inconsistency of the US and other developed countries in adopting a stance of political neutrality for the GATT, and then deviating from this when the pressure increased for them to act against South Africa in the organisation. The discussion in this chapter is summarised in the conclusion and some insights are drawn for further reflection.

5. Conclusion

The discussion of the GATT documentation and academic literature in this chapter reveals that South Africa was to position itself as a developed country in the organisation, and the developed countries were to recognise this status. In addition, the discussion revealed that South Africa’s racial policies of segregation were strongly opposed by developing countries while the developed countries remained indifferent to South Africa’s domestic policies in the GATT. This chapter set out to explore this contradiction. The related question of Apartheid South Africa’s attitude to developing countries was also explored drawing on the GATT archival documents.

This chapter has argued that South Africa positioned itself as a developed country in the early GATT period as a reflection of the interests of a narrow base of the Afrikaner elite and the white population. Smuts and the segregationist governments of South Africa since the Union in 1910 regarded themselves as being ‘developed’ and part of the ‘civilised’ world. The apartheid regime projected the norms, values and ‘collective self-concept’ of a small part of the population of South Africa rather than the interests of the majority of its people. It was thus argued that South Africa’s projection of itself as a developed country in the GATT and its recognition by other developed members as such was steeped in its political perception of itself as belonging to a commonwealth of the Western civilised group of nations in a similar manner as Australia, New Zealand and Canada. The documentation reveals that the perception of South Africa amongst many of the developing countries differed significantly from that of the developed. India, from the outset of the formation of GATT, and later a large group of African countries, protested strongly in the organization at its racial discrimination policies. The developed countries, on the other
hand, continued to maintain the idea of the GATT as being neutral and indifferent to the politics of its members.

This chapter has also argued that South Africa’s status as a developed country influenced its attitude to developing countries in the GATT. The documentation reveals that Apartheid South Africa’s attitude to developing countries largely mirrored that of the major developed countries. However, the evidence indicates that there were some nuances to this attitude, as it became more sympathetic to the concerns of developing countries when these reflected its own interests. By the mid-1980s South Africa’s racial policies had come under considerable pressure by the anti-apartheid movement across the world, including in the United States and Europe. Mass resistance by the democratic forces within the country also put enormous pressure on the apartheid regime to transform. The rebellion by the African Group of countries in the GATT to the participation of South Africa in the Punta del Este conference in 1986 seen in this context was to be expected.

However, the documentation indicates that the rebellion of the African Group created a crisis in the organisation, resulting from the differences in the views of the developed and developing countries on the approach to be taken to South Africa’s racial domestic policies. The evidence indicates that while the developed countries wanted to maintain the GATT as politically neutral and thus remain indifferent to South Africa’s segregation policies, the developing countries were of the view that the organisation needed to act against them. The chapter has argued that these different views can be understood when the differences in the ideas, vision and norms of the main architects of the multilateral system, Wilson and Roosevelt on the one hand, and Smuts on the other, are considered.

The political and economic crisis that Apartheid South Africa was under in the 1980s was to create the conditions for the apartheid regime to begin to reconsider its development status in the GATT. This issue will be discussed further in Chapter 7. In Chapters 5-7 the GATT documentation is examined to provide insights into the other two questions set out in the introduction to this study, namely: a) how was Apartheid South Africa able to implement its domestic protectionist and discriminatory trade policies and still abide by the principles of the GATT?; and b) why did the major players in the GATT reflect a tendency to deviate from the organisation’s main ideas and principles in their trade
practices vis-à-vis South Africa? Chapter 5 will discuss these two questions in the context of the first phase of apartheid (1947-63), which is characterised in this study as Grand Apartheid.
Chapter 5: Apartheid South Africa in the GATT during Grand Apartheid (1947-63)

1. Introduction

Apartheid South Africa played an active role in the GATT from the first Geneva Round negotiations in 1947 until the 8th GATT Uruguay Round negotiations that concluded in Marrakesh in April 1994. In the current chapter and Chapters 6 and 7 the documentation from the GATT archives that has, to our knowledge, not been exposed to public scrutiny before, is discussed. Part of the reason for this is the GATT practice of designating its documents as ‘secret’ or ‘restricted’, compounded by the secrecy of the apartheid regime. The first phase of apartheid (1947-63), discussed in this chapter, is conceptualised as that of ‘Grand Apartheid’. The documentation provides insights on the second and third questions of this study in relation to this era: a) how was Apartheid South Africa able to implement its domestic protectionist and discriminatory policies and still adhere to the ideas and principles of the GATT?; and b) why did the developed countries in the GATT deviate from the GATT idea of ‘freer and more open trade’ and the principles of ‘non-discrimination’ and ‘reciprocity’ vis-à-vis their trade with South Africa?

The chapter is structured as follows: section 2 discusses the GATT documentation on the trade and industrial policy issues where Apartheid South Africa deviated in practice from the ideas and principles of the organisation, while continuing to pronounce its adherence to them. The evidence from the archives demonstrates that while South Africa had ostensibly committed itself to these ideas and principles, it had in practice used the loopholes in the organisation to protect its domestic market and build its industries. Section 3 discusses the GATT documentation on the developed country practices in the GATT vis-à-vis South Africa. Again, the evidence from the archives will be used to argue that while the developed countries continued to propagate the ideas of freer and more open trade, and the principles of non-discrimination and reciprocity, they deviated from them in their trade with South Africa. The conclusion of this chapter summarises the discussion thus far and discusses the overall findings of the research during this period and draws implications for
the enhanced analytical framework discussed above. South Africa’s trade and industrial policies and practices in the GATT are discussed below.

2. Apartheid South Africa’s trade and industrial policies and practices in the GATT

This section discusses the documentation with a view to gain insight into the second question identified in this study: how was Apartheid South Africa able to both advance its protectionist and discriminatory trade and industrial policies while adhering to the ideas and principles of the GATT? The documentation illustrates a number of issues where South Africa deviated from both the spirit and the letter of the GATT ideas of freer and more open trade, and the principles of non-discrimination and reciprocity. Mark Blyth’s analysis of the power of economic ideas in transformation and institutional change suggests that South Africa had moved from the ideas of ‘free trade’, which dominated Western thought before the First World War towards the ideas of ‘state interventionism’ from the 1920s. These ideas became institutionalised within the emerging apartheid state during the era of Grand Apartheid.

In this section, four significant issues from the documentation for the period of Grand Apartheid are examined: a) balance of payments and import restrictions; b) agricultural trade; c) anti-dumping and countervailing subsidies; and d) Article XXVIII negotiations. In relation to each the documentation indicates that South Africa was professing its commitment to the above-mentioned GATT ideas while in practice pursuing protectionist trade and industrial policies. These issues are discussed in turn below.

Balance of payments and import restrictions

The evidence from the GATT documents indicates that South Africa had continued to impose a complex system of import restrictions ostensibly for balance of payments reasons but was to admit to GATT members that these measures were being used to protect and develop its infant industries, contrary to the spirit and letter of the organisation. Already in the first session of the United Nations Economic and Social Council (ECOSOC)
Preparatory Committee of the International Conference on Trade and Employment, held in London in October 1946 South Africa had submitted a memorandum on the issue of ‘Quantitative Restrictions and Balance of Payments’. The opening paragraph summed up its view: ‘The South African delegation attaches the greatest importance to the employment of quantitative restrictions by countries in the planning of national economic development, the fact that quantitative restrictions have at times, just as various other countries, been employed in an objectionable manner does not mean that they should be banned except in exceptional circumstances’.1

Thus South Africa was to provide an early signal in the UN, and later GATT negotiations that were to follow, that it viewed the issue of quantitative restrictions (QRs) from the point of view of its national development.

GATT Article XII (for use by developed countries) and Article XVIII(b) (for use by developing countries) permit the imposition of trade restrictions to safeguard a country’s external financial position. The Committee on Balance-of-Payments Restrictions was established to help administer these provisions. The Committee carried out consultations in order to review all restrictive import measures taken for balance of payments purposes. Petros Mavroidis explains that the inclusion of the balance of payments provision was deemed necessary in the early period of the GATT ‘in light of the inflexibilities associated with the system of fixed (but adjustable) exchange rates that prevailed when the GATT/ITO was originally negotiated’ (2007: 332).

In Article XV the GATT also created an important role for the International Monetary Fund (IMF) in fixing the exchange arrangements for members of the GATT. It required GATT contracting parties to consult fully with the IMF in matters related to monetary reserves, balance of payments or foreign exchange arrangements, and accept the factual findings of the IMF. Developing countries, including Brazil (1962-71), Chile (1961-80), India (1960-97), Indonesia (1960-79), and Pakistan (1961-2001), made frequent use of Art XVIII(b) as cover for the use of QRs (ibid: 333). South Africa was treated as a developed country by the GATT and therefore had to use Article XII rather than Article XVIII to notify members
of its balance of payments restrictions. South Africa was a very active user of this provision, during the period 1947-63 and over 40 relevant documents from the archives are reviewed here.

On 16 November 1948 South Africa sent a letter to the GATT contracting parties stating: ‘I have the pleasure to inform you that the Government of South Africa have decided to impose certain restrictions on importations into South Africa in accordance with the provisions of Article XII(2)(a)(i) and XIV(1)(b) of the GATT’. The letter explained that ‘it has been decided to take immediate steps to protect the country’s financial structure and its prospects of healthy industrial development’. The measures taken were to include the prohibition of certain luxury goods except under permit that was to apply to imports from all countries, and the exchange for imports from non-sterling sources was to be rationed. The GATT referred a copy of the letter to the IMF for comment and received a reply on 18 January 1949 stating that due to a serious decline in South Africa’s monetary reserves ‘the Fund has agreed to the exchange restrictions proposed by South Africa in this regard’.

The IMF sent a detailed memorandum to the GATT contracting parties on 21 March 1949 to substantiate its finding above. The GATT created a working party in terms of Article XII (chaired by G.N. Perry of Canada), (4)(a) to examine the import restrictions imposed by South Africa and to report to members. It included Australia, the Benelux, Brazil, Canada, Cuba, Czechoslovakia, France, the United Kingdom, the United States and South Africa. The interim report examined the import restrictions imposed by South Africa and concluded that ‘the restrictions imposed to correct a balance-of-payments deficit may have a clearly protective effect’. Its final report concluded by stating that ‘the representative of the Fund will keep under close review any discriminatory measures the Union of South Africa may ultimately adopt, and it will deal with any exchange or financial aspects these measures may imply in conformity with the Articles of Agreement of the IMF’.

When GATT contracting parties discussed the final report the Belgian delegate stated a reservation to South Africa’s actions: ‘the application of discriminatory measures by contracting parties unless justified by a special exception specified in the agreement would
constitute a blow to the whole fabric of International Trade established by the Contracting Parties’. The Belgian government felt that it was impossible to condone any infringement of the underlying principles of the General Agreement.

The representative of the United States, however, took a different view and commented as follows: ‘this consultation with South Africa was unique and represented an important step in international collaboration. He expressed his appreciation of the comprehensive attitude shown by South Africa during this consultation, and he expressed the hope that the South African Government would give careful consideration in finalizing its plans to the views expressed in this report by other contracting parties’. The reasons for the US comments were made clear in the GATT press release a few days later on the consultations held with South Africa: ‘This is the first time that a consultation prior to the imposition of restrictions necessary to correct a balance of payments situation has taken place among contracting parties. It is the first time that a country, before imposing such restrictions, has discussed with a group of other countries the probable effects of the restrictions on the export trade of those countries and the best way of avoiding an unnecessary contraction of international trade as a whole’. South Africa was adopting a more cautious approach at this stage. As it learnt how the system worked it was to become much bolder in its efforts to use loopholes in GATT rules. Thus on the next occasion South Africa did not consult prior to taking action but was to inform the GATT of actions it had already taken.

On 6 December 1949 South Africa submitted a letter and memorandum to GATT members announcing a new import control based on universal permits and restricted permits. Universal permits were to be issued for imports from all countries for ‘essential goods’ and restricted permits were to be issued for imports from soft currency countries (soft currency countries defined as ‘all countries other than the United States of America and all countries falling under its sovereignty’). A GATT working party ‘E’ was established to examine these new South African restrictions. The IMF team that examined them reported to the working party that it ‘finds that this system comprises quantitative trade restrictions, exchange restrictions, and certain discriminatory aspects’. However, the IMF stated that it was not in a position to ‘judge whether the discriminatory aspects of the restrictions are
justified…. In a subsequent report, it stated that ‘the general level of the trade restrictions under consideration, when considered from the aspect of the external financial position of the Union, seem to the Fund to be justifiable at the present time’. The discussion indicates that while South Africa was clearly acting against the spirit and letter of the GATT principle of non-discrimination the IMF did not condemn this action as many other developed countries were also using the instrument of balance of payments in a protectionist manner, as discussed in Chapter 2.

South Africa notified the GATT that its system of import control had been modified on several subsequent occasions, including 12 September 1950, 12 March 1952, 2 March 1954, 3 July 1954, 6 October 1954 and July 1957. In December 1957 the new minister of economic affairs, Dr A.J.R. van Rhijn maintained the import control policy and announced the creation of three categories of imports: i) Free list; ii) Replacement list; and iii) Quota list (the latter amounting to 8 percent of total imports).

The report the GATT secretariat submitted to the contracting parties on 6 March 1959 concluded that South Africa had maintained a ‘policy of progressive liberalization’ of its import regime but the measures do ‘provide incidental protection to industry’. In its draft report to the contracting parties in May 1960, the Committee on Balance of Payments was more critical of South Africa’s import restrictions and thus concluded that: ‘Members of the Committee hoped that the Union of South Africa would in the near future abolish licensing requirements and introduce de jure liberalisation for many products now subject to license, free many products from quota restriction, and increase the allocations for the products on which South Africa considered it necessary to retain for the time being quota restrictions’. 22

A 1961 IMF report was also critical of South Africa’s import regime but stated that ‘in view of the deterioration in reserves, the government has however, decided to adopt a measure of caution in issuing import permits for 1961’. However, the situation of South Africa’s balance of payments was deteriorating. In April 1961, while the Committee of the Balance of Payments noted that ‘the recent deterioration in the balance-of-payments
position of South Africa warranted an intensification of restrictions’, some members
‘expressed concern at the fact that in certain sectors the method used and administration of
the restrictions seemed to be linked closely to considerations of domestic supply and
industries’.24 In its report to the contracting parties in December 1963 the Committee on
Balance of Payments Restrictions noted that the ‘overall reserves and the general economic
situation of South Africa appeared to be such that the South African authorities could
introduce immediate and substantial measures of liberalization’. Again in 1964, members
of the Committee expressed their disappointment that the policy statement by the South
African minister of economic affairs relating to his country’s import control policy for
1964 had not included any undertaking concerning further liberalisation.25

The discussion above reflects that since 1948, a year after it had signed onto the GATT,
until 1963 (the end of the period of study of this chapter) South Africa had continued to
impose a complex system of discriminatory (until 1953) and non-discriminatory import
restrictions ostensibly for balance of payments reasons. Although the GATT contracting
parties and the IMF had put South Africa’s import restriction policies under intense and
detailed scrutiny they had taken a lenient attitude to its policies as they recognised the dire
balance of payments situation of South Africa in the early years. However, in the period
after 1961, some serious concerns were raised that South Africa was using this exception
in the GATT to protect and develop its infant industries and diversify from its natural
resources base. In the 1962/63 consultations with the contracting parties in the Balance of
Payments Committee South Africa admitted that it had been using its import restrictions
for this reason.
Agricultural trade
The examination of the GATT documentation on South Africa’s agricultural policies also reveal that its notifications to the organisation since 1950 indicated that it had been implementing a complex set of agricultural policies that provided significant support to the sector. During this early phase of its participation in the GATT it thus was reluctant to be too critical of the protectionist agricultural policies of the developed countries. The original GATT had prohibited quantitative restrictions, in Article XI(1). However, due to US pressure, Article XI(2) permitted some quantitative restrictions on agricultural imports. The US requested and obtained a waiver in 1955 of unlimited duration, subject to annual review, enabling it to subsidise farm products (Mavroidis, 2007: 202). GATT contracting parties were required to notify the organisation of their agricultural subsidies, as agreed through a decision of the contracting parties in March 1950. The South African government in its first notification to the GATT contracting parties on agriculture subsidies in July 1950, reported that: a) it had no direct export subsidies; b) it had some subsidies on farming requisites such as bags and fertilisers; c) it had subsidies on foodstuffs such as wheat, mealies, butter and margarine in order to keep down the cost of living; d) subsidies were provided by agriculture marketing boards that accumulated funds from levies, such as on raisins, bacon and potatoes; and e) fixed prices were set by these marketing boards and others that included wheat, mealies, butterfat, slaughter stock, citrus fruit, deciduous fruit and chicory to ensure price stability. In 1959 South Africa provided a series of notifications to Committee II (created by the GATT to notify members on trade in agricultural products) that included detailed information on its agricultural policies, commodity information, subsidies and marketing boards. These documents were assessed by Committee II and consultations were conducted with South Africa.

Committee II reported that while South Africa had traditionally been an agricultural country, about two thirds of its total area was arid or semi-arid and lent itself to little else but extensive farming – the climatic conditions were, in fact, relatively unfavourable for agriculture. Thus in order to improve agricultural conditions and incomes the Marketing Act of 1937 provided for marketing schemes to be supervised by marketing boards and empowered the minister of agriculture to regulate the import and export of agriculture.
Seventeen product categories were regulated by marketing boards: bananas, bush tea, chicory root, citrus fruit, dairy products, deciduous fruit, dried fruit, dried beans, eggs, fresh milk, livestock and meat, lucerne seed, maize and grain sorghum, oilseeds, potatoes, tobacco and winter cereals such as wheat, oats, barley and rye. The South African government explained its policy as follows: the prices of the major agricultural commodities were close to world market prices, but the flow of imports and exports had to be regulated to prevent the disruption of domestic stabilisation programmes; imports were allowed subject to foreign exchange requirements; and there were no export subsidies financed by the Exchequer. However, members of the GATT commented that South Africa’s agricultural policies included complex marketing regulations, price fixing, subsidies, equalization funds and state trading.29

In 1963 South Africa submitted a second set of notifications on its agricultural subsidies30 and marketing boards31 that recorded that there had been no significant changes to its agricultural policies. South Africa was clearly a significant producer of agricultural products and had developed a set of policies to develop its agriculture that were described by the members of GATT as ‘organized and controlled’.32 Thus the evidence from the GATT documentation for the period of Grand Apartheid indicate that South Africa was clearly pursuing domestic policies in support of white farmers while continuing to profess its commitment to the GATT idea of freer and more open trade. In the next discussion, the documentary evidence reveals that South Africa was also pursuing domestic protection policies through the use of anti-dumping (AD) measures and countervailing Duties (CVD).

**Anti-dumping and countervailing subsidies**

The documentation provides evidence for the view that South Africa was an active user of AD and CVD measures against imports from its trading partners during this period, confirming the findings of other major studies on this issue (Brink, 2005). South Africa’s AD actions on paper products illustrate that it was using the GATT AD provision that allowed for limited increases in protection to build infant industries. Gustav Brink (2005: 25), in his comprehensive study of anti-dumping in South Africa, states that Section 8 of the Customs Tariff Act of 1914 introduced the concept of dumping and anti-dumping
He confirms that the only countries that preceded South Africa with anti-dumping legislation are Canada, New Zealand and Australia. From the inception of anti-dumping investigations worldwide, South Africa was a prolific actor in this field (ibid: 28).

The report of the GATT group of experts on anti-dumping and countervailing duties records a long list of both imposed by South Africa. Between 1954 and 1958 no fewer than 45 AD measures were taken on a range of products, including textiles, clothing, bolts and nuts, electrical equipment, auto components, wood and paper products, insulin and DDT. These measures were taken against almost all European countries, the United States, Japan, Hong Kong, Egypt and the USSR. CVD were imposed against the United States four times, on sugar, certain woven fabrics of cotton, certain canvas piece goods, and kraft paper. They were also imposed against Italy on metal supporting poles and for electric power transmission.

The case of anti-dumping in relation to paper products illustrates the reasons for the measures taken. South Africa had traditionally been a substantial importer of paper and paper products, and the government stated that after a local paper producing company had been established, based on the use of indigenous materials, ‘after a careful expert investigation, [it had] satisfied itself that this industry was one which promised to become established on an economic basis and in order to assist the industry in overcoming the difficulties normally experienced by infant industries during the establishment period, it was granted tariff protection’. South Africa then explained that:

[I]n recent months there has been a sudden and steep reduction in the freight rate for certain of these types of paper on the shipping route connecting South Africa with a country which is an important supplier of the types of paper concerned. It is significant that the shipping companies have not undertaken any general reduction of their freight tariff, but have resorted to a specific reduction on paper products only. This reduction in freight has led to a flood of imports from the country in question which has impaired the tariff protection granted to the South African industry. In the circumstances the South African Government considers that the most appropriate course would be for
South Africa to take action in terms of the anti-dumping provisions of its customs legislation.

In its memorandum explaining its use of AD action on paper and paper products it was to also explicitly acknowledge that such measures were used as a trade policy tool to build infant industries.

Thus the evidence from the archives indicate that South Africa was an active user of AD and CVD measures against imports from its trading partners. Brink states that South Africa was one of the main users of anti-dumping measures during the period 1948 to at least 1958 (Brink, 2005). He records that of the 37 anti-dumping duties in place worldwide at the end of 1958 South Africa imposed 22. He states that the Board of Trade and Industry conducted at least 211 investigations between 1948 and 1958 and a further 487 investigations between 1958 and 1991. The BTI had been established in 1921 and Brink argues that it ‘followed a protectionist economic policy from as early as 1922’. This policy ‘was characterized by the promotion of import replacement industries and the selective application of tariffs, including formula duties and quotas’ (ibid: 21). The archival documentation from the GATT thus confirms Brink’s research findings.

**Article XXVIII negotiations**

Article XXVIII provides that duties that have been legally ‘bound’ can only be revised upwards after the member seeking such revision to its tariffs has agreed on the compensation to be paid to the affected member. The evidence from the documentation discussed here indicates that South Africa was utilising this flexibility in the GATT rules to protect and build infant industries. In principle, compensation had to be agreed between the GATT member wishing to revise its bound duties upwards and a subset of WTO members particularly affected by the decision to revise bound duties. The new duties will be applied on an MFN basis. This is the procedure that is established in Article XXVIII (Mavroidis, 2007: 71). Mavroidis explains that the country that initially negotiated the concession has the legal right to participate in an Article XXVIII process and the country that had agreed to make the initial concession has the duty to negotiate compensation with
it (ibid: 81). He explains the purpose of this provision: ‘Tariff adjustments might be needed for a variety of reasons over time. For example, for political economy reasons, a WTO member might be willing to redistribute wealth among its constituencies, by overexposing some producers to international competition while sheltering others from it’ (ibid: 98).

What this actually means is that members of GATT could use this provision to support those political lobbies and interest groups that were most vocal or influential in the political system. In the context of Apartheid South Africa the favoured group was the White Afrikaner businesses.

The first set of renegotiations already authorised under paragraph 1 of Article XXVIII were held during the Torquay Tariff Conference before the contracting parties agreed to prolong the life of the tariff commitments. They were held in parallel with negotiations for new concessions among the contracting parties. The available records of the Torquay renegotiations show that they were held among 13 contracting parties: Australia, Brazil, Benelux, Chile, Cuba, Denmark, France, Haiti, Italy, New Zealand, South Africa, United Kingdom and Uruguay – and the results were incorporated in the Torquay Protocol (Hoda, 2001: 84). In the rest of this section we discuss South Africa’s role in Art XXVIII negotiations.

In January 1955, South Africa informed GATT members of its intention ‘to enter into negotiations pursuant to the procedures of the Article XXVIII of the GATT for the purpose of withdrawing certain tariff concessions appearing in Schedule XVII to that Agreement’. 35 South Africa stated in the same communication that, ‘details of the concessions on other products which the South African Government would be prepared to offer as compensation for the concessions to be withdrawn, will be communicated to you at an early date’. In August 1957, the government of South Africa submitted another request in terms of Article XXVIII to ‘enter into negotiations to modify concessions listed in the annex hereto, and has given indication of the compensatory tariff adjustments which it is prepared to offer’. 36 The list of changes to tariffs (bound rates to be increased) included motor car parts and materials, motor cars imported unassembled, televisions, radar and radio apparatus and accessories. On 26 May 1959, the contracting parties were informed that Austria, Belgium-
Luxemburg, Germany, the United Kingdom and the United States had concluded their negotiations under Article XXVIII with South Africa.  

Again, in September 1960 South Africa announced its intention to negotiate a list of tariff items under the procedures of Article XXVIII that included: conveyor belts and belting for mining, motorcars and parts and materials for the building and equipment of motorcars, boots and shoes, olive oil, plain tissue paper and sanitary paper.  

In June 1961 a large number of contracting parties had notified the GATT that they had concluded negotiations with South Africa under Article XXVIII, including Ceylon, Norway, Australia, Finland, Sweden, France, Benelux, Germany, the United Kingdom, Greece, Austria and the United States.  

The list of items where tariff concessions were to be withdrawn or modified to protect the local market included cotton fibre, man-made fibre, formulated DDT products, boots and shoes, motor cars of various descriptions and parts and accessories.

The evidence of the Art XXVIII negotiations suggests that South Africa was taking advantage of the loopholes in the GATT rules to protect and support its emerging Afrikaner businesses (discussed in Chapter 3). As observed in the next two chapters South Africa was to use both the provisions on balance of payments restrictions and Article XXVIII for the next three decades to continue to provide tariff protection for its industries. Indeed Article XXVIII was to be used for every three year period as provided for in its rules until the early 1990s to modify and withdraw tariff concessions! It also provides evidence for the argument that South Africa’s tariff and industrial policies driven by continuous demands made by the business community, particularly the emerging Afrikaner industrialists for protection of their infant industries (Fine and Rustomjee, 1996: 187).

The discussion above on the examination of the GATT documentation on each of the four issues – balance of payments and import restrictions; agricultural trade; anti-dumping and countervailing subsidies; and Article XXVIII negotiations – has revealed that while South Africa was to profess its adherence to the GATT ideas of freer and more open trade, non-discrimination, and reciprocity, it was at the same time continuing to pursue protectionist trade and industrial policies to support infant industries. An explanation for why this was
the case will be discussed further below and in the concluding section. The discussion now turns to an examination of documentation on the practices of the developed countries \textit{vis-à-vis} South Africa in the GATT.

3. Developed country practices in the GATT \textit{vis-à-vis} South Africa

In this section the question explored is: why did the developed countries in the GATT deviate from the organisation’s idea of freer and more open trade and principles of non-discrimination and reciprocity in their trade with South Africa? An examination of the documentation provides us with a number of areas where the developed countries were in practice to deviate from these principles, discussed below.

Freer and more open trade

The GATT documentation reveals that South Africa criticised the trade practices of the developed countries for their failure to implement the GATT ideas of freer and more open trade, non-discrimination and reciprocity in practice. South Africa’s experience of the many deviations of developed countries is well reflected in the statement made by its minister of economic affairs to the 1954 Review of the GATT.

On 9 November 1954, Minister Eric Louw offered a critique of the practices of the contracting parties, stating that ‘as we look back over the past seven years, I fear we can find little cause for satisfaction at the lack of progress that has been made towards the achievement of a freer world trade, of multilateralism, the elimination of discrimination, and of unfair trade practices’. He provides a succinct indictment of the developed countries, which are accused of ‘defeating the purposes and principles set out in the preamble to the Agreement and gain advantages for themselves’ through unfair trade practices. However, he also confessed that South Africa too was guilty of some of these practices but stated in vindication that, ‘in my own country we are busy dismantling import control measures which were necessitated by balance-of-payment difficulties’.

Non-discrimination
The issue of a customs union between South Africa and Southern Rhodesia is a good illustration of the different standards that were applied by the developed countries in the GATT towards different members of the GATT in relation to non-discrimination. While the GATT members adopted a stringent attitude towards the South Africa-Rhodesia Customs Union they tended to adopt a more lenient approach towards the creation of the European Coal and Steel Community (ECSC) and the subsequent European Economic Community (EEC). This contrast is explored here as it provides evidence in support of the argument advanced above that the GATT members tended to adopt different standards towards different members.

The establishment of the customs union was to become a test case for the GATT as it was the first such union to seek the support of the GATT contracting parties. The documentation provides detailed information on the process of its formation and its notification to the members of the organisation. On 10 March 1949, the two governments informed the contracting parties that an agreement between them had been concluded on 6 December 1948, and that they had jointly created a Southern Africa Customs Union Council to monitor the agreement.41 The communication explained the history of the trade relationship between the two governments: ‘Since the Customs Union Conventions of 1906 and 1910 the two Governments had a free interchange of domestic products and a common tariff’. However, an agreement in 1935 had abandoned this principle and ‘restricted the free interchange of products to only a limited number of articles’. In 1945, the two governments ‘decided to restore the free interchange of domestic products’, with the agreement finally concluded in 1948.

Dr A.J. Norval, the representative of South Africa to the GATT, requested ‘a period of 10 years to finalize the Customs Union and in order to give time to work out the tariff schedules’.42 However, the representative of the United States, Woodbury Willoughby, stated that while ‘he was impressed by the special needs of this interim customs union for differential tariff duties, it should not be regarded as a precedent and that there should be a definite plan as to when the duties necessary to protect development in Southern Rhodesia should be removed’. A working party, consisting of Benelux, France, the United States, Southern Rhodesia, South Africa and Canada (chair) was thus established to ‘examined the
re-establishment of a Customs Union between South Africa and Southern Rhodesia, in the light of the provisions of Article XXIV'. The representative of the Netherlands said that ‘this was a test case for the Contracting Parties’ and he regarded ‘the 10 year waiting period for finalizing the Union as too long’. He was supported by the representatives of France and Belgium. In reply, S.A. Rowe, the representative of Southern Rhodesia, stated that, ‘the two countries intended ultimately to have a full customs union and a single tariff’.

The working party’s report ‘expressed regret that the Interim Agreement does not provide a more definite indication of the steps that will be taken to bring about uniformity in the tariff to be applied to imports from other Contracting Parties’. The representative of Southern Rhodesia explained that ‘the main difficulty arises from the development of secondary industries in Southern Rhodesia during the last war; many of these are competitive with longer-established enterprises in South Africa, and if they were deprived immediately of all protection they could not survive and unemployment would result’. Although no specific schedule was included in the agreement, as required by Article XXIV, the two governments undertook to: complete the customs union no later than 1 April 1959; submit a definite plan and schedule for the second five year period no later than 1 July 1954; submit a progress report no later than 1 July 1952; and submit an annual report of the Customs Union Council each year, with the first report to be submitted in 1950.

In a note on the first three years (1949-52) of the operation of the interim agreement, the secretariat stated that the two governments had provided the contracting parties with the first three annual reports of the Customs Union Council. The Council reported that the task of aligning the two governments’ rates of duty was delayed due to the decision taken by Southern Rhodesia to create a ‘Federation with Northern Rhodesia and Nyasaland’. The governments thus reported to the GATT contracting parties in October 1954 that they have not been able to also submit a ‘definite plan and schedule for the completion of the Customs Union’. Six months later they announced that they were to terminate the interim agreement on 1 July 1955, owing to the creation of a Federation of Rhodesia and Nyasaland. The federation and South Africa informed the contracting parties that they had concluded a new trade agreement, under which they would accord each other certain
specific preferences, signed at Salisbury on 28 June 1955, and which came into operation on 1 July,⁴⁹ and would last for five years.

On 20 May 1960 South Africa announced that a new Agreement had been signed.⁵⁰ A working party with the same members was re-constituted to examine the new agreement and report to the contracting parties. It found that ‘the new Agreement provided a considerable overall narrowing of preferences as compared to the 1955 Agreement’ and recommended that a waiver from the provisions of Article I (MFN) be granted to South Africa, provided the following procedures were complied with:

[B]efore raising the MFN tariff rate the Union Government shall notify by cable the Contracting Parties and any Contracting Party which it considers to have a substantial interest in the trade in the product concerned….and Contracting Parties which consider that such action is likely to cause material damage to their commercial interests, request consultations with the South African Government without delay.⁵¹

In this regard South Africa reported that consultations were held with the United States in relation to bed-sheets and pillowcases and the latter ‘agreed that its interests were not substantially affected by the adjustments in the margins of preference on the items in question’.⁵²

As can be observed from this discussion the GATT contracting parties adopted a strict and stringent approach to the regional arrangements being created in Southern Africa. The continuing evolution of the Southern African Customs Union (SACU) will be discussed in the next chapter where the disbanding of the Federation of Rhodesia and Nyasaland and the restoration of the South Africa-Southern Rhodesia Customs Union, is observed.

It is interesting to contrast this with the relatively flexible and lenient approach of the contracting parties to the creation of the ECSC and EEC. Chapter 2 discussed the creation of the European Coal and Steel Community (ECSC), in 1951 – an economic arrangement with a limited number of products – for which a waiver was granted by the GATT. The Treaty of Rome, signed in 1957, expanded this arrangement into a customs union. The discussion revealed that a long list of countries were to be negatively impacted by this
arrangement, particularly from the developing regions of Africa, Latin America and Asia (Curzon, 1965: 278).

While South Africa supported the Western European integration project more broadly it had very serious concerns about the systemic trade effects of the proposed creation of a customs union. The South African minister of economic affairs and mines, Dr A.J.R. Van Rhijn, made a comprehensive statement on the subject at the 12th GATT Session.\(^53\) He argued that ‘the decision of the six European Countries to establish a European Economic Community had profound implications for world trade’. He also stated that the European countries were important traditional trading partners for South Africa, occupying ‘14 percent of imports and 22 percent of non-gold exports’.

He expressed five key concerns. He argued that the proposed customs union could lead to trade diversion and that, ‘the interests of third countries can only be safeguarded by not denying them a reasonable measure of access to the Community market on terms substantially the same as those applying to domestic producers’. Secondly, he argued that GATT Article XXIV did not anticipate such a project and stated that, ‘the relative GATT provisions were not intended for a project of such magnitude and complexity as that forming the subject of the Treaty before us’. Thirdly, he expressed his concerns about the increased protection that could ensue in agriculture. Fourthly, he was concerned about the negative trade implications for South Africa from the rationalization of the preferences granted to ‘overseas countries and territories’. He stated that, ‘it would seem that the implementation of the Treaty proposals would lead to the establishment of a new preferential regime in conflict with the provisions of Article I of the GATT’. He went on to state that, ‘viewing the association proposals as a whole, however, we consider them incompatible the provisions of Articles I and XXIV of the GATT and to constitute a matter to be dealt with in accordance with Article XXV’. Finally, he expressed South Africa’s concern that the union proposed had no clear time schedule.

Two years later, these concerns about the probable discriminatory effects of the EEC had gained increased importance. The new minister of economic affairs, Dr Nico Diederichs, speaking at the 15th session of the GATT contracting parties in Japan, in October 1959 made a number of criticisms of the negative trade effects of the EEC.\(^54\) He pointed out the
practice of ‘bilateral quota arrangements’ between the OEEC and its trading partners in Western Europe are leading to a ‘intensified form of discrimination…’. He also pointed to ‘the rather lenient interpretations which participants in existing or prospective regional trade groupings in Europe and elsewhere are apparently placing on their rights of recourse to Article XXIV of the GATT’. He also raised similar concerns about the creation of the European Free Trade Association (EFTA).

So while South Africa and the fledgling economies of the Southern African region were subject to stringent conditions and scrutiny by the GATT, the new European Regional economic arrangements were supported by the major GATT members, especially the US, with much less scrutiny, in spite of the very significant trade diverting potential of the EEC and its negative consequences for developing countries (Patterson, 1996: 238; Curzon, 1965: 278). Thus the evidence from the GATT documentation reflects that the developed countries were to deviate from their professed commitment to the GATT principle of non-discrimination in trade.

**Reciprocity**

The documentary evidence indicates that South Africa had been an active member of the first, second and third rounds of tariff negotiations in the GATT at Geneva (1947), Annecy (1949), and Torquay (1950), respectively, but had refused to participate in the fourth round held in Geneva (1956) as the United States had refused to reduce its tariff barriers on raw wool. For this and several other reasons South African negotiators argued that the principle of reciprocity was not applied fairly in practice and particularly for the exporters of primary goods this principle had an asymmetrical effect in favour of the major developed countries.
Table 5.1 GATT Rounds of Tariff Negotiations

<table>
<thead>
<tr>
<th>Round</th>
<th>Year</th>
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<tbody>
<tr>
<td>Geneva</td>
<td>1947</td>
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<tr>
<td>Annecy</td>
<td>1949</td>
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<tr>
<td>Torquay</td>
<td>1950</td>
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<tr>
<td>Geneva</td>
<td>1956</td>
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<tr>
<td>Dillon</td>
<td>1960-61</td>
</tr>
<tr>
<td>Kennedy</td>
<td>1962-67</td>
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<tr>
<td>Tokyo</td>
<td>1973-79</td>
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<tr>
<td>Uruguay</td>
<td>1986-94</td>
</tr>
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</table>

South Africa had been an active member of the first tariff negotiations in Geneva, Annecy and Torquay and had made tariff concessions to GATT members,\textsuperscript{55} including Germany (at Torquay)\textsuperscript{56} and Italy (at Annecy).\textsuperscript{57} It had negotiated a protocol in December 1951 with Germany in which South Africa granted significant tariff concessions, including on iron and steel, railway construction or equipment requisites, tanks, earthenware and stoneware and musical instruments. Germany had offered South Africa reciprocal tariff concessions that included; feathers and parts thereof, citrus fruit, plants, for pharmaceutical or insecticidal purposes, vegetable materials of a kind suitable for use in dyeing and tanning, canned crawfish, sulphates, salts of acids of metallic oxides, tanning extracts of vegetable origin, raw furskins, sheeps wool and animal hair.\textsuperscript{58}

At the onset of the 1956 Geneva Round of negotiations the South African government:

which previously announced its intention to participate, has written to say that, after careful consideration of all the circumstances, including the indication by the Government of the United States of America that it would not be possible for them to grant any further tariff reductions on raw wool at the forthcoming tariff negotiations, has come to the conclusion that very little benefit of any practical value for South Africa’s export trade would be derived from participation in the tariff conference. The Government of the Union of South Africa has therefore decided not to participate in the Tariff Negotiation Conference in January 1956.\textsuperscript{59}
Although South Africa had participated in the first three GATT rounds its ministers had been critical of the practices of the developed countries with regard to the application of the principle of reciprocity. Minister Louw, at the 1954 Review of the GATT, took issue with the principle, arguing that: ‘the principle of strict reciprocity, which has thus far governed all tariff negotiations conducted under GATT, has, therefore had the paradoxical effect of restricting rather than liberating world trade. This principle is based on the idea that there is a complete equality amongst nations in international relations’. He argued that this was not the case as ‘countries with high tariffs can do things which low-tariff countries cannot so easily accomplish’. He criticised the US insistence on this principle which he argued had ‘the effect of pushing down tariffs of the low tariff countries to a level that now required them to seek recourse to the maintenance of quantitative import restrictions for protective purposes’. He was especially critical of the practice of bilateral quota arrangements stating that:

during the past seven years South Africa’s export trade has suffered as a result of this type of discrimination. Certain countries, which profess to be strong supporters of the principles of multilateralism, have not hesitated to exclude South African products from their markets solely because of the South African Government’s refusal to conclude bilateral quota agreements with them.

He argued that these bilateral quota agreements were, ‘in conflict with the purpose and spirit of the GATT’.

Again in May 1963, Minister of Economic Affairs Diederichs made a number of comments to the ministerial meeting of the GATT pertinent to the discussion of reciprocity. He confirmed that South Africa had made significant tariff concessions in earlier rounds and that they were mainly on manufactured goods while in return it had obtained concessions principally on primary and agricultural products. He underlined the asymmetry in the relationship of a principally primary producer and exporter and importer of manufactures: ‘Moreover it is true that since 1947 the terms of trade have in general moved against the producers and exporters of primary products. We believe therefore that the value of the concessions granted by us to the recipients has been considerably enhanced and the value of those we received has been diminished’.
Thus the evidence from the GATT documentation discussed in this chapter suggest that the practices of the developed countries in the GATT vis-à-vis their trade with South Africa were to deviate from the ideas of freer and more open trade, and the principles of non-discrimination and reciprocity that John Ruggie has argued were to become the main ideals of the multilateral trading system. As discussed above, the reason for this inconsistency between the ideas and practices of the developed countries in GATT can be explained by extending the theoretical framework of both Ruggie and Blyth with the insights gained from other writers. The explanation for this inconsistency in the ideas and practices of both South Africa and the developed countries is discussed in the conclusion below, which also provides a summary of our main findings thus far.

4. Conclusion

The discussion in this chapter indicates that Apartheid South Africa was clearly maintaining rhetorical support for the GATT idea of freer and more open trade, and principles of non-discrimination and reciprocity, but in practice it did not waiver from its objective of implementing its industrial policies. The flexibilities and loopholes in the GATT provisions on balance of payments and Article XXVIII allowed South Africa to impose import restrictions and tariff increases to support specific industrial sectors, such as the paper industry. In addition, the anti-dumping provisions, which had not yet been amended to conform to the GATT rules, were used to raise barriers against foreign imports, such as in the paper sector. South Africa’s policy makers were clearly aware of the ideas of John Maynard Keynes and the industrial development ideas of Friedrich List. They were practicing the policies of import substitution as the discussion in Chapter 3 makes clear for much of the early 20th Century and especially in the 1940s and 1950s. Dr Norval, the BTI’s head for much of this period, and a lead negotiator in the GATT for South Africa, has also clearly stated this as one of the country’s objectives (see Chapter 3).

The practices of the developed countries in the GATT vis-à-vis South Africa provide some insights into why it was able to get away with this double-standard. The documentary evidence indicates that the developed countries themselves were also deviating from the ideas and the principles of the GATT. Minister Louw, at the 1954 Review of GATT criticised the protectionist practices of developed countries that impacted negatively on
South Africa. The discussion above on the GATT principle of non-discrimination demonstrates that while South Africa and the fledgling economies of the Southern African region were subject to stringent conditions and scrutiny by the GATT, the new European regional economic arrangements were supported by the major GATT members, especially the US, with much less scrutiny, in spite of the very significant trade diverting potential of the EEC and its negative consequences for developing countries. Again on the GATT principle of reciprocity the evidence from the documentation indicates that while South Africa had made significant tariff concessions mainly on manufactured goods in earlier rounds, they were not reciprocated as South Africa obtained concessions principally on primary and agricultural products in return. In addition, the refusal of the US to reduce its tariffs on raw wool, which was a major export product of South Africa, during the Fourth Round of GATT (Geneva, 1956) provoked the country to refuse to participate in the round due to unfairness. Thus, the documentary evidence indicates that the developed countries were to deviate in practice from their professed support for the GATT ideas of freer and more open trade, non-discrimination and reciprocity. These contradictions between ideas and practices by both South Africa and the developed countries recur in the GATT in the next two phases of Apartheid South Africa, discussed in Chapters 6 and 7. The documentation is further examined in the second phase, which is referred to in this study as the Golden Age (1964-79) and explored in the next chapter.
Chapter 6: Apartheid South Africa in the GATT during the Golden Age (1964-79)

1. Introduction

In this chapter the GATT documentation for the period referred to as the ‘Golden Age of Apartheid’ (1964 to 1979) is examined to gain insights on the second and third questions identified in chapter 1: a) how was Apartheid South Africa able to implement its domestic protectionist and discriminatory policies and still adhere to the ideas and principles of the GATT; and b) why did the developed countries in the GATT deviate from the GATT idea of ‘freer and more open trade’ and the principles of ‘non-discrimination’ and ‘reciprocity’ vis-à-vis their trade with South Africa? The chapter is structured as follows: section 2 discusses the documentation on South Africa’s trade and industrial policy issues. Based on the evidence from the archives it is argued that while South Africa had ostensibly committed itself to the ideas and principles of the GATT, it had in practice used the loopholes in the GATT to protect its domestic market and build its industries. Section 3 discusses the documentation on the developed country practices in the GATT vis-à-vis South Africa. The evidence from the archives is utilised to argue that while the developed countries had continued to propagate the ideas and principles the GATT, they had at the same time deviated from these ideas and principles in their trade with South Africa.

2. South Africa’s trade and industrial policies and its practices in the GATT

This section discusses the GATT documentation on Apartheid South Africa with a view to gaining insight into the second question identified in this study: how was Apartheid South Africa able to both advance its protectionist and discriminatory trade and industrial policies while adhering to the ideas and principles of the GATT? Mark Blyth’s analysis of the power of economic ideas in transformation and institutional change, discussed in Chapters 2 and 3 of this study, suggests that South Africa had moved from the ideas of ‘free trade’
that dominated Western thought before the First World War towards the ideas of ‘state interventionism’ from the 1920s. They became institutionalised within the emerging apartheid state and during the first phase (discussed in Chapter 5) and second phase of apartheid referred to here as the Golden Age.

The documentation indicates that South Africa was professing its commitment to the aforementioned GATT ideas and principles while in practice pursuing protectionist trade and industrial policies. The three issues discussed in turn in this section are: balance of payments and import restrictions, agricultural trade and Article XXVIII negotiations. South Africa’s role on these issues and the behaviour and attitude of the other GATT members is explored with reference to the documents available from the GATT archives.

**Balance of payments and import restrictions**

The evidence indicates that South Africa had continued to be a very active user of the GATT’s balance of payments and import restrictions provision for the period 1964 to 1979 and continued to impose a complex system of import restrictions ostensibly for balance of payments reasons. During this phase GATT members had begun to raise serious concerns that South Africa was using this exception in the organisation to protect and develop its infant industries. While the GATT contracting parties and the IMF had put South Africa’s import restriction policies under intense and detailed scrutiny they had taken a lenient attitude to its policies as they recognised the dire balance of payments situation it was experiencing in the early years. However, in the period after 1961 some serious concerns were raised that South Africa was using this exception to protect and develop infant industries and diversify its economy from its natural resources base. The documentation reveal that South Africa continued to be a very active user of this provision for the period 1964 to 1979. Over 80 documents from the archives are reviewed and discussed below. South Africa submitted its basic document for the 1964 Consultations under Article XII(4)(b) to the Committee on Balance-of-Payments Restrictions in that year. This stated that import restrictions had been intensified in 1961 ‘as a protective measure in the face of an unprecedented outflow of capital in 1960 and a serious decline in the reserves of gold and foreign exchange’.¹
It also recorded that at least four types of import controls were applied: i) goods imported without import permits (20 percent); ii) goods imported with import permits that were freely available (15 percent); iii) goods imported with import permits and no annual quotas (48 percent); and iv) goods imported with import permits and specific quotas. The same document also recorded that South Africa’s 10 largest importing countries between 1960 and 1963 were: 1) the United Kingdom, 2) the United States, 3) Germany, 4) Japan, 5) Canada, 6) Italy, 7) Rhodesia and Nyasaland, 8) France, 9) Netherlands and 10) Sweden.

The IMF, in its report to the Committee in 1964, had stated that the South African economy had ‘expanded rapidly in the past two years with gross national product in the first half of 1963 rising at an annual rate of close to 8 percent...’.² The organisation commented that ‘the restrictions on imports were further relaxed in 1963 but the control system remains complex’ and that ‘the Fund believes that South Africa should proceed to eliminate as soon as possible restrictions maintained for balance of payment reasons’. Thus in the GATT report of the Committee ‘some members of the Committee expressed the view that the balance-of-payments situation did not warrant the existing restrictions’.³ The advice of the IMF seems to be heeded by the South African minister of economic affairs, Dr Nico Diederichs, who announced a relaxation of import controls as he decided ‘to add some 11 percent of the value of the country’s imports to the free list of imports...’ later that year.⁴

After South Africa submitted its 1965 basic document to the Committee, the IMF noted that ‘further relaxation and simplification of the restrictive system’ had taken place.⁵ It also confirmed that the economy had continued to grow rapidly in 1964, with gross national product increasing by 7.5 percent in real terms. In its statement to the Committee, South Africa recalled that the current difficulties it had experienced in its balance of payments were ‘due to the acute outflow of capital in 1960 which had reduced foreign exchange reserves to a low level’. South Africa, however, admitted that, ‘there is some tendency to make the economy self-sufficient but such a policy is not pursued irrespective of cost, and the Government in general encourages only those industries which give promise of developing efficiency’. In the case of automobiles, for example, South Africa had three categories of imports: i) those fully constructed at time of import; ii) those which were assembled in South Africa; and iii) those with a South African content by weight of 45
percent rising to 55 percent within three and half years of the date the car was proclaimed a South African manufactured model. Category (ii) received more liberal treatment than category (i), whilst category (iii) had been freed from import control. Members of the Committee expressed concern that South Africa’s ‘import restrictions may be serving mainly purposes other than those for which they were originally intended’. To compound matters Diederichs issued a press statement in August 1965 stating that ‘as a result of the high level of economic expansion… imports were continuing at an excessive rate’ and ‘I have therefore decided to supplement existing restrictive measures by a somewhat tighter application of import control…’. In May 1966 he stated that, ‘despite the favourable trends that were noticeable in the country’s reserve of foreign exchange, it was still necessary to adopt a cautious and careful approach in regard to import expenditure’.

In January 1967, an IMF report welcomed ‘the further relaxation in December 1966 and urges South Africa to continue working toward the removal of remaining restrictions maintained for balance of payments reasons’. It also stated that ‘in 1965 and 1966 there was a further large expansion in economic activity in South Africa with gross national product rising at the rate of about 5 percent a year in real terms’. In addition in 1967 some members of the Committee ‘expressed the opinion that the present level of reserves appeared adequate to finance South Africa’s needs and hence the use of a balance-of-payments rationale for justifying the maintenance of protective measures would appear to be questionable’. In October 1968, the IMF observed that South Africa’s GDP had risen by nearly 7 percent in 1967, and that its balance of payment situation had improved. While the IMF ‘welcomed the progress made in relaxing external restrictions’ it ‘urged the elimination of the remaining restrictions maintained for balance of payments reasons as rapidly as circumstances will permit’.

However, in response South Africa argued that the relative conditions of stability it was experiencing was threatened by various factors including ‘speculation resulting from international currency uncertainties following the devaluation of sterling last November’. The South African delegate stated that ‘this led to a large and sustained capital inflow which, to the extent that it was invested in stocks and shares, has resulted in sharp increases in share prices and has also considerably increased the liquidity of the economy’. The
members of the Committee nonetheless ‘urged South Africa to review the need for continued invocation of Article XII in the light of the balance-of-payments prospects and to consider the possibility of submitting at an early date a plan and schedule for the elimination of remaining restrictions’.13

On 1 December 1969, South Africa informed the GATT that it had decided to withdraw its use of Article XII as justification for the application of its remaining import restrictions.14 In January 1970 South Africa introduced a ‘substantial simplification of its import control system’15 and two licensing systems. South Africa described the system as follows: ‘under one system, permits are granted to meet the full reasonable requirements of bona fide merchants and manufacturers and, under the other system, quotas are determined from time to time by the Minister of Economic Affairs’.16 On 26 November 1971 the country informed the GATT that it had decided to intensify its remaining import restrictions ‘as a means of safeguarding South Africa’s external financial position and its balance of payments’.17 The communication stated that ‘despite an appreciable net inflow of foreign capital, South Africa has experienced a substantial balance-of-payments deficit during the past two years’. Interestingly an IMF report in December 1971 stated that ‘South Africa had made some ‘further progress in relaxation of quantitative restrictions on imports’ based on its consultations held in July that year.18 The IMF also confirmed that South Africa’s GDP had risen by 7 percent in 1969 and by 5 percent in 1970 in real terms.

South Africa had devalued the Rand in December 1971 by 12.8 percent. The representative of the IMF argued that this action should strengthen the country’s balance of payments and thus ‘expressed the hope that this would soon enable South Africa to remove its import restrictions’.19 The representative of South Africa replied to the IMF remarks by stating that ‘devaluation itself does not produce an immediate solution to our problems, hence we are obliged to support this measure by the retention of the intensified import restrictions which were introduced in November. South Africa was to withdraw its use of the provisions of Article XII for the second time on 25 July 1972.20

The minister of economic affairs at the time, Stefanus Muller, announced further relaxations of import control restrictions in January 197421 and January 1975.22 However, on 3 August 1976 South Africa announced that its current deficit was unduly large and its
official gold and foreign reserves had shown a considerable decrease, due to various adverse conditions, including the sharp decline in the price of gold since August 1975, the abnormal duration and depth of world economic recession of 1973-75 and the decline in its net inflow of foreign capital. The government decided ‘to supplement the existing fundamental monetary and fiscal policies by the imposition of a temporary import deposit scheme’, which would require a deposit of 20 percent payable on all goods imported into the country. In its report to the Committee, the IMF stated that, ‘the Fund believes that the imposition of the import deposit requirement was, under the circumstances, warranted as a short-term measure to prevent a further deterioration in the balance of payments situation’. The South African government indicated its intention ‘to terminate the import deposit scheme as soon as circumstances permit, and in any event not later than February 2, 1977’.

This description of the balance of payments situation of South Africa is remarkable. It reflects a country under continuous pressure to manage its declining foreign reserves through import control and quotas. Part of the explanation for this is offered by South Africa itself when it argues that the very high growth rates it experienced in the 1960s had the tendency to increase imports of capital goods. However, notwithstanding the devaluation of South Africa in 1971, its balance of payments situation continued to worsen in the 1970s. Stephen Lewis (1990) offers an interesting explanation for this. He argues that although South Africa continued to gain increased foreign investment in the 1960s this was mainly due to reinvested or retained earnings and not new capital inflows. His research points out that ‘nearly 88 percent of the $11 billion increase in the value of foreign direct investment between 1956 and 1980 was due to reinvested or retained earnings, and less than 13 percent was due to new capital inflows from abroad’ (Lewis, 1990: 66). The reduction of foreign inflows of capital was of course due to the increasing political crisis of South Africa after the Soweto unrest in June 1976. This situation was to worsen in the 1980s, as observed in the next chapter.

**Agricultural trade**

Examination of the documentation on South Africa’s agricultural policies indicates that it had continued to maintain and increase its support to its mainly white Afrikaner farmers
through a complex set of agricultural policies and instruments. During this phase the
country had begun to display some frustration with the protectionist agricultural policies
of the developed countries but had to moderate its views as it was providing extensive
support to its white farmers. In the previous chapter it was observed that South Africa
played an active role in the discussions on agriculture in the GATT. Its contracting parties
were required to notify their agricultural subsidies to the GATT by a decision of the
contracting parties taken in March 1950. South Africa had submitted several notifications
on its agricultural subsidies and marketing boards between 1950 and 1963 (discussed in
Chapter 5). This process of notifications was to continue in the period analysed in this
chapter.

The documentation reveals that South Africa continued to provide extensive support to its
white farmers. In 1964, South Africa had 15 marketing boards, for: bananas, bush tea,
chicory root, citrus fruit for export, dairy products, (i.e., butter-fat, cutter, cheese, cheese-
milk and industrial milk), deciduous fruit (apples, apricots, grapes, peaches, pears, pears
and plums), dried fruit, dried beans, eggs, fresh milk, livestock and meat, lucern seed,
maize and grain sorghum, oilseeds (groundnuts and sunflower seeds), potatoes, and winter
cereals (wheat, oats, barley and rye). This list was later increased to include boards for
canned peaches (1965), Mohair (1966), Karakul (1970), wool (1971) and seed cotton
(1975). The purposes and functioning of the boards was described by the government in
the document as: to achieve a measure of stability for the producers concerned; to facilitate
the marketing of the crops concerned; and to ensure sufficient supplies to consumers at
reasonable prices either from local production or importations.

South Africa submitted a series of documents to the GATT Agriculture Committee in 1968
in response to questionnaires on its agricultural sector, including on: a) production
measures and policies, b) protection and support measures and policies, c) consumption
and internal prices, and d) and international trade and prices. The information provided
covered several subsectors, including dairy; grain, beef, veal and other meats; fruit and
vegetables; oilseeds; unmanufactured tobacco; and wine. The information revealed that
South Africa did provide a range of subsidies to producers in the domestic market but
provided no direct export subsidies. Another set of documents supplied in 1969
revealed that it was basically self-sufficient in the period 1963-67 in most agricultural sub-sectors, including grains (maize), oilseeds, tobacco, fruit (deciduous and citrus), meat (pork, beef and mutton), dairy (butter and cheese) and wine.30

In 1972, South Africa submitted another set of documents to the Agriculture Committee in which it listed all its agricultural products listing the import restrictive measures31 that it applied and indicating whether it used export subsidies.32 The first document reflected that in almost all cases South Africa applied import restrictions through the use of import permits that allowed the use of quotas from time to time. The second document stated that South Africa did not provide any direct export subsidies for its agriculture products. South Africa also provided a series of notifications to the GATT on subsidies between 1966 and 1978 in which it reflected the use of various subsidies mainly directed at the agricultural (fertilisers) and food sectors and ‘which was paid to the respective Marketing Boards to enable them to reduce prices to consumers’.33 In the case of butter, for example, ‘the subsidy is paid to the Dairy Board which is thereby enabled to reduce the price of butter to domestic consumers’.34

This suggests that South Africa provided very detailed and consistent notifications of the evolution of its agricultural trade policies to the GATT contracting parties from the beginning of the notification process in 1950. However, it did not at this stage become too critical of the high subsidies and protection of developed countries in GATT as it was also providing considerable support to its own white farmers. Nevertheless, it had begun to display some frustration with the contradictory approach taken by the major developed countries by their discrimination in agricultural trade. This is discussed in the section below. South Africa’s use of Article XXVIII to renegotiate its tariff concessions, is discussed next.

**Article XXVIII negotiations**

South Africa maintained the practice of renegotiating its tariff concession during this phase, a practice allowed in the GATT by Article XXVIII. The documentary evidence indicates that the country was utilising this flexibility in the GATT rules to protect and build its infant industries, and in fact tariff protection had become a feature of government industrial
policy. In November 1963, South Africa notified the contracting parties of its ‘intention to withdraw or modify under the provisions of paragraph 1 of Article XXVIII the items listed in the Annex’. The items listed affected the interests of several of its major trading partners that had initially negotiated market access for these products. The items to be renegotiated included a large number of manufactured products. The contracting parties were informed that each of the following members had concluded their negotiations under Article XXVIII with South Africa: Greece, Australia and New Zealand in March 1965; Austria in July 1966; and the EEC, Switzerland, the United Kingdom and the United States in February 1967. They were informed that agreement had not been reached with Sweden, Norway and Finland by February 1967.

Again in October 1966 South Africa notified the contracting parties that it ‘intended to withdraw or modify under the provisions of paragraph 1 of Article XXVIII the items listed in the Annex’. The list included a number agriculture processed goods, metal and engineering products, motor parts and accessories and electrical equipment. The list of products, the value of imports and importing country were also submitted to the GATT.

The negotiations with the Commission of the European Communities, the United States, and the United Kingdom were concluded in February 1969, June 1969 and November 1970, respectively. Negotiations were also concluded with Norway, Finland, and Sweden, including for the period after 1963 and after 1966.

In October 1969, South Africa repeated its wish ‘to modify or withdraw the concessions embodied in Schedule XVIII which are listed in Annex…’. The list of products in the annex included a number of complex manufacturing products, such as chemicals products, medicaments, paper products, machinery, and machine tools. South Africa informed the contracting parties that it ‘reserved the right to modify Schedule XVIII – South Africa, during the three year period commencing on 1 January 1970 in accordance with the provisions of paragraph 5 of Article XXVIII’. In the document provided to the parties, South Africa provided the description of the products and country of origin, the existing rate of duty, the country with which it was initially negotiated and the value of imports of that product. It submitted another notification in December 1972, informing the contracting parties that ‘in accordance with the provisions of paragraph 5 of Article XXVIII’ it reserves
the right to ‘modify Schedule XVIII-South Africa during the three year period commencing on 1st January 1973’. On 15 January 1975 South Africa reported that negotiations with the following contracting parties had been concluded and agreements reached: Austria, Sri Lanka, Norway, Finland, Spain, the United Kingdom, Greece, Sweden and the United States. However, ‘Agreement has not been finalized with; Australia, Canada, the European Communities and Switzerland’.45

On 3 August 1976 it again informed the contracting parties that ‘its reserves the right, in accordance with the provisions of Article XXVIII: 5 of the GATT to modify Schedule XVIII-South Africa during the three year period commencing 1 January 1976’. It informed the contracting parties that it had concluded negotiations with Switzerland in February 1977, the US in August 1978, Sweden in November 1978, Australia in May 1979, Chile in November 1979, and Sri Lanka in April 1980. This time the document concluding the negotiations with the United States had an additional note that argued that its policy objective was ‘to grant a reasonable measure of tariff protection on a selective basis to deserving South African industries’. Finally during this period South Africa was to again use paragraph 5 of Article XXVIII for another three year period commencing 1 January 1979. Under this provision it then withdrew a number of concessions that it had scheduled before and submitted notice to this effect in May 1979, August 1979, February 1980 and April 1980. The continuous recourse to Article XXVIII renegotiations together with the use of import controls and quantitative restrictions allowed by the provisions on balance of payments strongly suggest that there was no coherence or long term planning of industrial policy but rather an ad hoc response to the demands for protection from an emerging Afrikaner manufacturing sector (discussed in Chapter 3). Together these two provisions provided the government with a huge loophole in the GATT to provide protection on demand to its manufacturing and agricultural sectors. This issue is further discussed in the next chapter where it is observed that South Africa was to continue to use both the provisions of the balance of payments and Article XXVIII into the 1980s and even the early 1990s.

So, on each of the three issues discussed in this section – balance of payments and import restrictions, agricultural trade and Article XXVIII negotiations – the documentation reveals
that South Africa was to profess its adherence to the GATT ideas of freer and more open trade, non-discrimination and reciprocity, while at the same time continuing to pursue protectionist trade and industrial policies to support infant industries. Why was South Africa able to get away with this inconsistency in the GATT? One explanation is related to South Africa’s perception of itself as a developed country in the GATT (discussed in Chapter 4). South Africa thus adopted the attitude and behaviour of other developed countries in the GATT and was able to get away with its deviations from the ideas and principles of the GATT, as the developed countries were also responsible for this inconsistency. A fuller explanation for this behaviour is discussed in the next section where it is argued that an explanation can be found in the academic literature drawn from revisionist historians of the multilateral system, revisionist historians of the multilateral trading system, and the early historians of the GATT. These writers it is argued help to extend the analytical frameworks of Blyth and John Ruggie, discussed in Chapters 2 and 3 of this study. The discussion now turns to an examination of documentation on the practice of the developed countries vis-à-vis South Africa in the GATT.

3. Developed country practices vis-à-vis South Africa and GATT principles

In this section the third question identified in Chapter 1 of this study is explored: why did the major players in the GATT deviate from the organisation’s idea of freer and more open trade and the principles of non-discrimination and reciprocity vis-à-vis their trade with South Africa? An examination of the GATT documentation discussed below identifies a number of issues where the developed countries in the GATT were in practice to deviate in both the spirit and the letter. The ideas and principles are discussed in turn here in the context of the documentation for the apartheid period characterised in this study as the ‘Golden Age’. In each case it reveals that the developed countries were to deviate in their trade practices vis-à-vis South Africa.

Freer and more open trade

The documentation reveals that while South Africa was not a member of the Cotton Textile Arrangements, the United States had imposed unilateral quota restrictions on South Africa.
This action it is argued was inconsistent with its commitment to the idea of ‘freer and more open trade’. Chapter 2 discussed the academic literature on the protectionism of developed countries in the GATT, particularly in agriculture and textiles. These practices were to harm the trade and production of mainly developing countries that were regarded as low-cost producers. The extensive use of import controls and quantitative restrictions in cotton textiles, although inconsistent with the GATT principle of MFN, was utilised against low-cost developing countries. These practices were condoned by the 1961 short-term cotton textiles agreement, which was extended into a Long-Term Arrangement Regarding International Trade in Cotton Textiles in 1962 (Patterson, 1966: 310). South Africa was not a member of this agreement. During the onset of the Kennedy Round (discussed below) the United States insisted on the extension of the agreement as a trade-off for the tariff concessions it was to make (Kock, 1969: 106)

The United States notified the GATT Textiles Surveillance Body in March 1979 that although South Africa was not a member of the ‘Arrangement Regarding International Trade in Textiles’, exports from South Africa to the United States of man-made fibre yarn was causing ‘market disruption’ and that ‘the Government of the United States will establish import restraint measures limiting entry of this product to a level not to exceed 1,866,000 pounds for exports from the Republic of South Africa to the United States during the twelve-month period beginning 1 January 1979’. The letter from the United States referred to the ‘Arrangement Regarding International Trade in Textiles done under the auspices of the General Agreement on Tariffs and Trade at Geneva on 20 December 1973, and extended by protocol done at Geneva on 14 December 1977’. Interestingly the United States was taking action unilaterally not only against the members of the agreement to reduce their exports to the US but also against a non-member on the grounds that ‘to ensure equitable treatment to those countries party to the Arrangement which are presently limiting their exports of this product to the United States, the Government of the United States is, as of the date of this note, taking action consistent with Article 3 of the Arrangement’.

The action against South Africa was clearly inconsistent with the US’ commitment to the idea of freer and more open trade. The fact that South Africa had not been party to the
negotiations on the Long Term Cotton Textiles Arrangement, that other developing countries regarded as low-cost producers, were involved in, makes the actions of the US more inequitable. This unilateral action by the US for the protection of its own domestic constituencies in cotton textiles was to create a precedent that was to be followed by Canada. This is discussed in the next chapter. The practice of the developed countries on the principle of non-discrimination is now explored.

Non-discrimination

The issue of the customs union between South Africa and Southern Rhodesia is a good illustration of the so-called ‘double-standards’ practiced by the developed countries in the GATT (Patterson, 1966). Again during this second phase of Apartheid South Africa in the GATT, it is argued that while the GATT members adopted a stringent attitude towards the South Africa-Southern Rhodesia Customs Union they tended to adopt a more lenient approach towards the evolving Western European integration project, including the accession of the UK to the EEC. In the previous chapter we discussed how the Southern African Customs Union (SACU) issue became a test case for the GATT application of Article XXIV on regional arrangements and customs unions. South Africa had created one with Southern Rhodesia in 1948, an agreement that was terminated in July 1955 due to the creation of the Federation of Rhodesia and Nyasaland. The latter signed a trade agreement South Africa in June 1955, which was replaced by a new agreement in 1960. In this chapter the further evolution of these regional arrangements in Southern Africa and their treatment by the GATT contracting parties is discussed. The discussion below begins with the evolution of the South Africa – Southern Rhodesia Customs Union.

On 21 April 1964 South Africa and Southern Rhodesia informed the GATT that an exchange of letters had taken place between them with regard to the ‘impending dissolution of the Federation of Rhodesia and Nyasaland on the 31st of December 1963’. The two parties also proposed that, ‘the terms and provisions of the Trade Agreement of the 16th of May 1960, between the Governments of the Republic of South Africa and the Federation of Rhodesia and Nyasaland continue to apply as between Southern Rhodesia and the Republic of South Africa’. In March 1965, the governments of South Africa and Southern Rhodesia informed the GATT that they had concluded a new trade agreement on 30
November 1964 and submitted a copy of the text to the contracting parties. A GATT working party was created in March 1965 to ‘examine the Trade Agreement concluded by the Governments of South Africa and Rhodesia and to report with any appropriate recommendations’ and ‘to review the operation of the Decision of 4 June 1960’. South Africa stated that it had been reporting to the contracting parties ‘annually on any steps that it took under the Decision of 4 June 1960’. It thus informed the working party that, ‘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 a basis the 1960 Agreement, but it covers a larger number of goods’. The Rhodesian delegate also made a statement to the working party. She argued that in order to allow for duty free treatment of goods between South Africa and Rhodesia, ‘South Africa must create technical preferences’, explaining that ‘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’. The delegate further implored the Working Party members to appreciate that ‘South Africa constitutes one of Rhodesia’s very few substantial existing and potential markets for exports of manufactures’.

The working party reported to the contracting parties in May 1965: it ‘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’. However, it noted that ‘there were arrangements in the 1964 Agreement which departed from certain provisions of the GATT, especially Article 1, and which would have to be considered with great care’. However, it concluded that, ‘on the information available a quantitative assessment of the commercial importance to third countries of these arrangements was not possible’. It recommended that the draft decision of 4 June 1960 could therefore be extended. This allowed for the preferential tariffs to be applied subject to the condition that, ‘before taking any action…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 with might involve compensatory adjustment’. It was further recommended that the decision be valid until 31 December 1969 and that South Africa would report annually to the contracting parties.

The previous chapter discussed the relative leniency with which the ECSC, created in 1951, and the EEC, created in 1957, had been treated by GATT members, compared with the more stringent scrutiny that South Africa and other Southern African countries were put under in the GATT. Again in this period South Africa was subject to stringent conditions in having to consult concerning potential negative impacts of the regional arrangements on other GATT members before it could be allowed to proceed with its arrangements by the organisation. The relative insignificance of the South Africa–Southern Rhodesia Trade Agreement on the trade of third parties can be contrasted with the very substantial trade impact on South Africa of the accession of the United Kingdom to the EEC in 1972. This issue is discussed below.

South Africa made a detailed and substantial statement on this issue to the ‘Working Party on Accessions to the European Communities’ on 7 December 1972. It argued that the United Kingdom ‘takes about a quarter of South Africa’s exports’ and is a ‘predominant market’ for a number of South Africa’s ‘very sensitive export industries’. It illustrated this by stating that Britain took ‘more than 70 percent of South Africa’s total exports of canned fruits; more than 50 percent of its exports of fresh deciduous fruits and wines; and more than 30 percent of its exports of jams and marmalades’. South Africa also revealed that ‘on the basis of 1971 imports, duties were paid on only 3 percent of the United Kingdom’s imports from South Africa, and less than 1 percent was subject to other measures such as quotas’.

The impact of the accession of the UK to the EEC was stated as follows: ‘with effect from the 1st of January 1973 the dutiable percentage is expected to increase to 52 percent after the expiry of the transitional period of five years’. South Africa stated that it therefore:

expects to move from a duty-free position covering approximately 87 percent of its total exports to the United Kingdom, to a position where it will receive duty-free treatment on only 36 percent of its exports to that country…[T]he analysis clearly
shows that the value and proportion of trade affected by the changes are so high and so overwhelmingly unfavourable to South Africa that its previous balance of advantages with the United Kingdom will be seriously disturbed.

The government went on to state that, ‘these questions will be difficult to solve in the rather academic examination under paragraph 5 (a) of Article XXIV’ and that ‘they could, however, be taken up in more detail in the context of the Article XXIV: 6 negotiations, or if this imbalance still exists at that stage, in the forthcoming multilateral negotiations’.

It was becoming clearer that the Western European integration project was beginning to overtake the commitment of the major developed country players in the GATT towards the principle of non-discrimination. Thus even a member of the GATT secretariat was to remark in a 1962 article titled, ‘World Trade: The Dangers of Regionalism’ that ‘when the Treaty of Rome was signed…it introduced a different concept of trading relations’ from the GATT ‘principles of multilateralism and non-discrimination’ (Kock, 1969: 132). In his statement to the contracting parties on the Review of the Work of the Contracting Parties and Future Work Programme in November 1967, Secretary of Commerce Kotenberg of South Africa was to display a similar concern with the emerging pattern of regionalism in Western Europe. He argued that ‘whilst the endeavours of the past twenty years have been directed towards internationalizing trade on a most-favoured-nation basis, in GATT we have come full circle. We are now propagating regionalism’.66 The discussion above indicates that the expanding integration of the European Communities was to have significant negative impacts on South Africa. Thus, there was a significant deviation from the GATT principle of non-discrimination by the developed countries. The discussion proceeds to the principle of reciprocity and South Africa’s participation in the GATT negotiations.

**Reciprocity**

The documentary evidence in Chapter 5 indicated that while South Africa had been an active member of the first, second and third rounds of tariff negotiations in the GATT, in Geneva (1947), Annecy (1949), and Torquay (1950), respectively, it had refused to participate in the Fourth Round held in Geneva (1956) as the United States had refused to
reduce its tariff barriers on raw wool. South Africa was to make significant concessions in both the Kennedy (1964-67) and Tokyo (1973-79) Rounds. In the Kennedy Round, South Africa, together with Australia and New Zealand, demanded reciprocity from the developed countries for trade concessions in agricultural products in exchange for their trade concessions in manufactured goods. In the Tokyo Round too, South Africa had participated actively together with New Zealand and Australia to demand more concessions from developed countries in agriculture. However, the evidence from the GATT documentation reveals that South Africa was to obtain relatively meager tariff concessions. In addition, the method of negotiation in the Tokyo Round, of ‘request and offer’, prejudiced the smaller players, such as South Africa, in the negotiations (discussed in Chapter 2) resulting in greater asymmetry between the larger and smaller players. South Africa’s role in both GATT rounds is discussed here.

The Kennedy Round was a major attempt to reduce tariffs on an across-the-board basis. While the focus remained very much on tariff negotiations, a plurilateral agreement on ‘Anti-Dumping Practices’ was also negotiated. Attempts were made, albeit unsuccessfully, to negotiate broader agreements on agricultural protection going beyond tariffs (Hoda, 2002: 26). In the Tokyo Round, while tariff negotiations were important, a successful attempt was made to negotiate agreements on a range of non-tariff measures. Understandings were also reached during the round on such basic ‘framework’ issues as differential and more favourable treatment of developing countries, dispute settlement and balance-of-payments safeguards (ibid). Interestingly South Africa had joined with Australia and New Zealand to make a joint submission on their negotiating position in the Kennedy Round negotiations. The three members argued that they were willing to make tariff concessions in the round after the countries that were making concessions on the basis of ‘Linear Cuts’ had tabled their list of exceptions. They further argued that their concessions would be made when the ‘rules to govern, and the methods to be employed in the negotiations for agricultural products have been elaborated so as to enable assessments to be made of the trade benefits which these countries might reasonably expect from the negotiations’.67 From the documentation it is evident that South Africa did in fact make significant concessions during the Kennedy Round of tariff negotiations. This was reflected in the consolidated schedule of South Africa as compiled on 31 March 1970.68
During the Tokyo Round, the evidence reveals that South Africa also played an active role in the agriculture negotiations. In a submission to the GATT on 29 May 1974, South Africa argued that, ‘from the studies as well as the views expressed at the meetings of the Agriculture Committee and, more recently, of Group 3(e), it is clear that the high tariff rates and lack of secure access, are two of the major problems facing world trade in agriculture commodities’. However, the submission then went on to state that ‘South Africa is a regular supplier to world markets of certain agricultural products such as sugar, wool, fresh and canned fruits, despite its erratic and unfavourable weather conditions’. South Africa then submitted to the Agriculture Committee very detailed factual information on its agricultural sector, detailed information on policy measures on exports, its agricultural policies, and its sanitary and phytosanitary regulations.

The negotiating procedures of the GATT to which South Africa had to conform indicate that the request and offer method was the main negotiation method in agriculture, but in which smaller players, such as South Africa were disadvantaged (discussed in Chapter 2). At its meeting on 16 December 1975 the Agriculture Group agreed to pursue its work in accordance with the procedural suggestions in document MTN/W/24 and, as an initial step to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product sub-groups. To this end, the countries concerned would notify to the secretariat any tariff and non-tariff measures affecting the agricultural products defined above that were of direct interest to their trade. Bilateral or plurilateral consultations would be organised, with the assistance of the secretariat, on the basis of the notifications received.

In accordance with this procedure South Africa submitted its notification, in which it listed a number of products of interest to it particularly in the EEC market that had significant tariffs and where bilateral quotas and even prohibition on imports obtained (e.g., prohibition on fresh pears into Italy). South Africa then submitted a Request List, in November 1977, to a number of members in which it listed the specific tariff lines that it wished to negotiate market access on and the specific request that it was making of the member concerned in this regard. South Africa submitted them to Australia, Austria, the EEC, Finland, Norway, Sweden, Switzerland and the United States. In most cases South
Africa requested a 50 percent cut in the ‘current rate of duty’ from each. However, the academic literature on the Tokyo Round results suggest that South Africa was only likely to have obtained meagre tariff concessions from the developed countries on agriculture as most of these products were in the tropical products category that were negotiated on a request and offer basis as the discussion above indicates (Hoda, 2001: 56-63).

While South Africa received meager concessions from the developed countries in the GATT it had made significant concessions both in the tariff and non-tariff negotiations. The GATT Secretariat Report on South Africa’s TPR of May 1993 summarised South Africa’s commitments on the Tokyo Round Codes. It stated that, ‘South Africa has accepted the MTN Tokyo Round Agreements on Customs Valuation and Import Licensing. It has observer status in the MTN Agreements on Government Procurement, Subsidies and Countervailing Action and Anti-Dumping. South Africa also participates in the International Dairy Arrangement and the Arrangement on Bovine Meat, but not in the Multifibre Arrangement’.

In his statement to the contracting parties at the Thirty-Eighth Session Ministerial Meeting (24-27 November 1982), South Africa’s minister of industries, commerce and tourism, Dr D.J. De Villiers, provides an indication of South Africa’s participation in the Tokyo Round agreements: ‘the acceptance of my country of the various codes and disciplines which have emanated from the Tokyo Round of trade negotiations is continuously receiving the attention of my Government. South Africa has already accepted certain codes and subject to certain issues being satisfactorily resolved, my Government has decided in principle to sign the Agreement on the Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement. South Africa has already indicated its intention to accede to the Valuation Code on 1 July 1983 and active consideration is being given to adherence to the Anti-Dumping Code’. Thus the evidence from the archives suggest that South Africa was an active player in both the Kennedy and the Tokyo Rounds and was to focus its demands on agriculture in the developed country markets. Despite the meager concessions made in agriculture by the major developed countries, South Africa had made significant concessions in both rounds.

The evidence from the documentation discussed in this chapter suggests that the practices of the developed countries in the GATT vis-à-vis their trade with South Africa were to
deviate from the ideas of freer and more open trade, and the principles of non-discrimination and reciprocity that Ruggie argued were to become the main ideals of the multilateral trading system. The discussion in section 1 above also reveals that South Africa continued to pursue its protectionist trade and industrial policies domestically while professing its commitment to the GATT ideas and principles. How should we understand this inconsistency in the attitude and behaviour of both South Africa and the developed countries in the GATT? As discussed, this inconsistency can be explained by extending the theoretical framework of both Ruggie and Blyth with the insights gained from other writers discussed more fully in Chapter 2. In the concluding section of this chapter a summary our discussion thus far is provided and some insights gained from the discussion are identified.
4. Conclusion

In this chapter we set out to discuss two questions: a) how was Apartheid South Africa able to implement its domestic protectionist and discriminatory policies and still abide by the principles of the GATT, and b) why did the major players in the GATT deviate from the GATT ideas of freer and more open trade, and the principles of non-discrimination and reciprocity? In this chapter these questions were discussed with reference to the GATT documentation on South Africa for the period characterised as the Golden Age of apartheid (1963-79).

In section 2 the evidence indicated that South Africa used the flexibilities of several provisions of the GATT to pursue protectionist trade and industrial policies in support of infant industries. These provisions included at least three significant measures: balance of payments and import restrictions, agricultural trade and Article XXVIII negotiations. It was argued in the discussion on balance of payments restrictions that South Africa was to use this provision to impose import controls and quantitative restrictions on other members. In the discussion on Article XXVIII it was observed that its continuous use clearly provided South Africa with the mechanism it required to maintain and increase protection to its nascent manufacturing and agricultural enterprises while appearing to remain compliant with the GATT principles of free trade and non-discrimination. In addition, while the ideas of industrial development and import substitution were being implemented in South Africa by its leading industrialists, through the active interventions of the apartheid state these policies were clearly being applied in an *ad hoc* and selective manner, favouring the Afrikaner businesses that lobbied the BTI as Dr A.J. Norval had indicated (discussed in Chapter 3) (Norval, 1962; Fine and Rustomjee, 1996).

In section 3 the documentation was discussed to gain insight into the following question: why did the major players in the GATT deviate from the GATT ideas of freer and more open trade, and principles of non-discrimination and reciprocity? The discussion revealed that South Africa was subject to unilateral trade practices by the developed countries in the textiles sector, and also to experience agricultural protectionism from them. In addition, it
reveals that in the growing trend towards regionalism in Europe the GATT reflected the double standards of the developed countries. While the European countries continued to erode the GATT discipline of Article XXIV in pursuit of regional economic integration, they insisted on more stringent scrutiny for the efforts being made by Southern African countries to build their own regional project. The principle of non-discrimination was thus being eroded by the developed countries in the GATT and also applied in a discriminatory manner. The evidence has also suggested that while South Africa had participated actively in both the Kennedy and Tokyo Rounds of negotiations, it had received relatively meagre concessions in return from the developed countries. Furthermore, the request and offer method of negotiations used in the agriculture negotiations had disadvantaged South Africa as a relatively small player in the GATT, thus contributing to asymmetrical outcomes against it.

The contradictions observed from the examination of the documentation in this chapter indicate that the ideas and the practice of both South Africa and the developed countries were to recur in the GATT in the final phase of Apartheid South Africa that is referred to in this study as the era of ‘Crisis and Reform’ (1980-94). In Blyth’s model of institutional transformation, Apartheid South Africa was at the stage of ‘institutional stability’ in the 1960s and early 1970s, but with the deepening economic and political crisis it was experiencing by the late 1970s it was moving into the stage of ‘uncertainty’. The GATT documentation for the final phase of apartheid is discussed in the next chapter.
Chapter 7: Apartheid South Africa in the GATT during the Era of Crisis and Reform (1980-94)

1. Introduction

In this chapter the GATT documentation for the Apartheid era of ‘Crisis and Reform’ (1980-94) is discussed to provide insights on the questions identified in Chapter 1: a) how was Apartheid South Africa able to implement its domestic protectionist and discriminatory policies and still adhere to the ideas and principles of the GATT?; and b) why did the developed countries in the GATT deviate from the GATT idea of ‘freer and more open trade’ and the principles of ‘non-discrimination’ and ‘reciprocity’ vis-à-vis their trade with South Africa?

The chapter is structured as follows: section 2 discusses the GATT documentation on the trade and industrial policy issues where Apartheid South Africa deviated in practice from the ideas and principles of the organization while continuing to pronounce its adherence to them. The evidence from the archives will be used to argue that while South Africa had ostensibly committed itself to these ideas and principles, it had in practice used loopholes in the GATT to protect its domestic market and build its industries. Section 3 discusses the documentation on the developed country practices in the GATT vis-à-vis South Africa and where they deviated in practice from the ideas and principles while continuing to pronounce adherence. Again, the evidence from the archives will be used to argue that while the developed countries had continued to propagate these ideas and principles they had at the same time deviated from them in their trade with South Africa. The country’s trade and industrial policies are discussed in the next section with reference to the GATT documentation.
2. South Africa’s trade and industrial policies and its practices in the GATT

In this section the documentation on South Africa’s trade and industrial policy practice for the era of Crisis and Reform is discussed. The documents provide a number of issues where the country was in practice to deviate from the GATT ideas and principles. The issues discussed in this chapter are: a) balance of payments and import restrictions; b) agricultural trade; c) safeguards; and d) Article XXVIII negotiations. South Africa’s role in relation to them and the behaviour and attitude of the other GATT members will be explored with reference to the GATT Archives. The indication is that while South Africa was professing its commitment to the GATT ideas and principles in practice it was pursuing protectionist trade and industrial policies. The issues related to freer and more open trade and protectionism also arose in the first trade policy review of South Africa held in June 1993. These issues are also discussed below.

Balance of payments and import restrictions

The evidence indicates that South Africa continued to impose a complex system of import restrictions up until the very end of the apartheid period in 1994, ostensibly for balance of payments reasons, but was to admit to the GATT members that these measures were being used to protect and develop its infant industries contrary to the spirit and letter of the GATT. As discussed in the two previous chapters, South Africa had been a frequent and consistent user of the provisions of Article XII of the GATT and had imposed balance of payments restrictions on its imports since 1948. This article (for use by developed countries) and Article XVIII(b) (for use by developing countries) permit the imposition of trade restrictions to safeguard a country’s external financial position.

In this section we provide an overview of the use of this provision by South Africa from 1980 to 1994. The GATT contracting parties and the IMF had put South Africa’s import restriction policies under intense and detailed scrutiny in the early GATT period. However, they had taken a lenient attitude to its restrictive policies as they recognised the dire balance of payments situation in was experiencing during this time. In addition, as was discussed
in Chapter 2, many developed countries, including Britain and Germany, were also frequent users of the balance of payments provisions in the 1950s (Curzon, 1965: 141-154). In the period after 1961, some serious concerns were raised that South Africa was using this exception to protect and develop domestic industries. In this section it is observed that the country continued to be a very active user of this provision for the period 1980 to 1994. Over 20 documents from the GATT archives are reviewed here.

In October 1985, the government of South Africa informed the contracting parties that, ‘a surcharge of 10 percent on all imported goods that are not bound in terms of GATT, has been introduced in South Africa’.¹ In August 1988, they were informed that, ‘due to a further deterioration in South Africa’s terms of trade, and in order to safeguard its already depleted monetary reserves from a persistent threat of a further decline, the South African Government has decided to extend temporarily the import surcharge and to amend its rate’.² A long list of tariffs were included in the attached Government Gazette that reflected the new surcharge rates from a minimum of 10 percent for certain tariff headings to a maximum of 60 percent for others. There was a reaction to these measures by the United States, which issued a communication to the GATT Council in September 1992 stating its ‘concern that South Africa is applying these surcharges without regard to GATT provisions concerning the need to consult with the Committee on Balance of Payments Restrictions’.³

In addition, the US asserted that, ‘the surcharges are being applied on a discriminatory basis, having being eliminated selectively with respect to imports from certain countries’. It thus argued that ‘South Africa should bring the application of these measures into conformity with its GATT obligation, update its notification concerning their status, and consult in the Balance of Payments Committee concerning their justification and future application’. In response to this request, South Africa informed the GATT Council that it ‘would be prepared to consult with contracting parties on these measures in the Committee’, and notified the GATT in a communication in January 1993 that the rates of the surcharge had been in the meantime ‘adjusted downwards’. ⁴ The annex to the notification reflected a long list of tariff headings with the minimum rates of the surcharge reduced to 5 percent and the maximum reduced to 40 percent.
The GATT Secretariat produced a background report for the Committee on Balance-of-Payments Restrictions in June 1993 that provided a comprehensive backdrop to the imposition of the surcharge by South Africa and the economic crisis it faced at the time.\(^5\) The report reflected that, ‘real GDP growth of the South African economy averaged 1.5 percent for the 1980s as a whole’ and that the economy ‘had moved into a recession in early 1989 from which it has yet to emerge; …real GDP declined by some 0.5 percent in both 1990 and 1991, and declined by a further 2.1 percent in 1992; …employment was facing a declining trend since 1989, …the informal sector currently accounts for about 50 percent of the labour force’. In addition, the budget deficit of South Africa ‘increased from 1.6 percent of GDP in 1990 to 4.6 percent in 1992’ and ‘aggregate gross domestic investment has declined in every year since 1988, falling from 21.5 percent of GDP in 1988 to 15.1 percent in 1992’ while ‘national savings fell from 22.9 percent of GDP in 1988 to 16.4 percent in 1992’. The report stated that, ‘following the imposition of sanctions restricting its trade in 1985, South Africa negotiated a standstill arrangement with commercial banks’.

The Secretariat Report also provides some useful insights into South Africa’s trade policy and tariff structure before the conclusion of the Uruguay Round. It states that ‘South Africa has traditionally aimed at inward oriented development, with trade policy serving to foster import substitution’ and that ‘the hallmarks of the trade system for long were a structure of selective tariff protection and binding import controls’. The Committee on Balance of Payments deliberated over the above reports in July 1993 and ‘expressed understanding that South Africa was not in a position to eliminate the surcharge at present’.\(^6\) The Committee requested South Africa ‘to provide a time-table for its phase-out and to consult on any balance-of-payments measures still maintained in mid-1994’. However, the South African representative stressed that ‘it was not possible for the present Government, nine months before the elections, to take a firm decision on a time-table leading to the elimination of the surcharge’. The Committee also ‘expressed concern that the surcharge was applied inconsistently with the principle of non-discrimination and urged South Africa to eliminate this discriminatory treatment’.

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In defence of its approach to the import surcharge, South Africa argued that it ‘was one measure which South Africa was forced to take to safeguard its national interests’ as ‘South Africa was faced with the reality that virtually all of its major trading partners had introduced punitive measures against the country’s exports, while imports from the same countries could continue to expand with no interruption or any interference by the Government’. The representative went on to state that, ‘you cannot however, in all fairness ignore the GATT-alien actions instituted by governments and institutions against my country’ and that ‘these actions, some of which are still in force, left my authorities no other alternative but to introduce this measure in 1985’. The representative explained why some countries had been relieved of the surcharge: ‘as a quid pro quo of their early lifting of trade sanctions against South Africa, exemption from the surcharge was allowed on a country basis in respect of Hungary (10 August 1990), Poland (28 June 1991), Czechoslovakia (12 September 1991) and Romania (29 November 1990) and a preferential trade agreement concluded with Turkey, with effect from 1 January 1988 also provided for exemption from import surcharge in respect of certain specified products’. The new National Unity Government of South Africa, created by Nelson Mandela on 10 May 1994, re-appointed F.W. De Klerk’s minister of finance, Derek Keys, who notified the GATT that South Africa had partially removed the surcharge on a long list of tariff headings in August 1994. In its report on its consultations with the country, the Committee on Balance-of-Payments Restrictions welcomed the new South Africa’s commitment to fully abolish the import surcharge on 1 October 1995 and to withdraw the balance of payments provisions of the GATT.

Thus ended an almost continuous period of recourse by the apartheid government to the balance of payments restrictions provisions of the GATT since 1948! The evidence in this section from the archives confirms that the 1980s was a tumultuous period for the South African economy. The pressure on it by the developed countries within the GATT to change its policies was beginning to grow. In the first Trade Policy Review of South Africa in June 1993 this pressure was expressed by most of these countries. Mark Blyth’s analytical framework predicts that a crisis of such dramatic proportions as South Africa was undergoing would create pressures for a change in economic ideas. These new ideas
Agricultural trade

The documentation indicates that South Africa had been implementing a complex set of agricultural policies, which provided significant support to this sector. During this final phase of apartheid the documentation reveals that the country’s import control regime for agriculture remained under ‘strict control’ and was described by GATT members as ‘organized and controlled’. The economic and political crisis of apartheid had thus begun to stimulate fundamental changes in the economic ideas of the apartheid elite, as Blyth’s theoretical framework predicts. These changes are discussed below. As discussed in Chapters 5 and 6, South Africa notified the GATT of its agricultural policies and practices in detailed submissions from 1950. Its policies were geared towards strengthening support for its white farmers through the creation of marketing control boards, established by the 1937 Marketing Act. Numerous amendments were subsequently made before it was consolidated in a new law of the same name. During the period covered in this chapter, South Africa again submitted a comprehensive set of documentation to the contracting parties on its agricultural policies and measures affecting trade. It also provided detailed information on agricultural subsidies and state trading enterprises (marketing boards). In this section, a brief overview of these documents is provided, and the attitude and role of South Africa in the GATT is further discussed.

On 30 June 1982, South Africa provided a detailed document listing its import licensing restrictions and incidence of state trading on each of the agriculture chapters (1-24) of the tariff schedule. The vast majority of the products were listed as ‘goods which may be imported only under permit and for which quotas are determined from time to time’. This suggests that its import control regime for agriculture was under strict control. A second document submitted on 30 June 1982 listed the use of ‘Sanitary and Phytosanitary Regulations’ for each of the products in Chapters 1-24 (agriculture) of South Africa’s tariff schedule. The document contains a description of the specific regulatory measures that South Africa had in place for each product and includes comments by other countries. In
the case of ‘fruit, fruit peel and parts of plants preserved by sugar’, the United States commented that South Africa’s ‘regulation would appear to be rather drastic’. A third document submitted on 30 June provided information on its ‘measures and mechanisms influencing exports’. The document provided a brief summary of the export measures that obtain in each subsector of agriculture, including livestock and meat, dairy products, fruit and vegetables, grains, oilseeds and vegetable oils, wine and tobacco. In general it stated that, ‘the marketing boards for the commodities…make provision…for the building up of funds to stabilize the industries concerned’. In all cases the document stated that there ‘are no export subsidies’. The information was updated each year.

In October 1988, more detailed information was provided on South Africa’s ‘measures and policies affecting trade in agriculture’. The document reflects the relative sophistication that South Africa was developing in this sector. It stated that ‘research and development is primarily carried out at a State level at eleven research institutes plus a number of research stations located throughout the country’. In addition, ‘an official agriculture extension service, complimentary to the research service, aims to promote the broader development of agriculture based on the research done’.

It was to also provide more specific and detailed notification to the GATT of its subsidy programmes in July 1981. The document states that the ‘subsidies are paid to the respective Marketing Boards to enable them to reduce prices to consumers, and the amount of the subsidies is determined by the Government’. In each of the agricultural products where domestic subsidies are provided the document states that there were no export subsidies. South Africa provided similar information on subsidies to the GATT each year thereafter, including every year 1984-90. The notification submitted in June 1990 stated that ‘subsidies which are paid on standard bread and maize are intended to reduce the cost of these products to the consumer’. In May 1992 South Africa was questioned by the United States on its subsidy programmes in the Committee on Subsidies and Countervailing Measures. In a notification submitted on 19 September 1994 South Africa stated that, ‘it is no longer the policy of the South African Government to subsidize foodstuffs to reduce the cost of products to the consumer. The price formation mechanism is the market. The subsidies paid in the past on certain products have been discontinued’.
Another set of documents to the GATT on ‘State Trading’ provide insights into South Africa’s agricultural trade policies. In a July 1981 notification it stated: ‘the only South African enterprises which can be regarded as covered by the provisions of Article XVII are marketing boards concerned with the marketing of certain agricultural products’\textsuperscript{17} It listed 21 marketing boards, for: bananas, bush tea, chicory root, citrus fruit, dairy products (butterfat, butter, cheese, industrial milk and fresh milk), deciduous fruit (apples, apricots, grapes, peaches, pears and plums), dried fruit (prunes and dried vine fruits), dried beans, eggs, livestock and meat, lucerne seed, maize (and sorghum and buckwheat), oilseeds (groundnuts, sunflower seed and soyabeans), potatoes, tobacco, winter cereals (wheat, oats, barley and rye), canning pears (and peaches and apricots), Mohair, Karakul, wool and seed cotton.

The apartheid government and its white farming community were beginning to anticipate the transition to a new non-racial democracy, in the early 1990s, after the release from prison of Nelson Mandela. Some reforms were thus being made in anticipation of a new government, which they believed would not continue to support large white farmers at the expense of the majority of small black farmers and workers. In the December 1994 notification to the GATT on State Trading some major new changes to the policy on its agriculture marketing boards were reflected.\textsuperscript{18} The number of control boards was reduced from 21 in its 1991 notification to 15 in 1994. Seven marketing boards were abolished. The Kassier Committee, appointed by the minister of agriculture in June 1992, submitted its report to an Agricultural Marketing Policy Evaluation Committee (AMPEC) that was tasked with making recommendations to the minister on an agricultural marketing policy for South Africa. The notification document concluded that, ‘it can thus be expected that certain provisions of the Marketing Act as well as some of the remaining control schemes which operate under the Marketing Act might change in the near future’.

It is evident from the discussion above and in the two previous chapters that the apartheid government had actively supported its white farmers through direct and indirect subsidies provided to the marketing boards, which covered almost all sub-sectors and major agricultural products of South Africa. By the end of the 1980s South Africa had developed a highly sophisticated set of agricultural programmes to support its agricultural sector,
which had become a significant exporter of fruit, vegetables and wine. The apartheid
government had thus begun to change its policies from strong state subsidization and
protection of its farming community towards market mechanisms. The next issue on
safeguards discussed below reveals the deepening economic crisis and declining
competitiveness of Apartheid South Africa.

**Safeguards**

The archival material reveals that South Africa undertook several safeguard actions during
the 1980s, reflecting its increasing resort to drastic protectionist measures due to greater
foreign competition and declining competitiveness. During the Tokyo Round South Africa
had adopted a strong negotiating stance in favour of a strengthened safeguard mechanism,
‘to provide domestic industries with temporary relief from injurious import competition’. 19
It supported the US proposal in this regard. GATT Article XIX allows WTO members to
take safeguard action, in order to react to a sudden, unforeseen surge in imports, as a result
of tariff concessions concluded during a trade round. Petros Mavroidis identifies at least
four types of safeguard measures that are usually taken by members: ad valorem tariff
increases, tariff quotas, specific tariff increases and quantitative restrictions with some
quota system allocation (2007: 366). The multilateral agreement on safeguards agreed in
the Uruguay Round has added some detail to Article XIX.

The archival material reveals that South Africa undertook several safeguard actions during
this period, including on footwear in November 1984 and 1988, on malic acid in September
1985, on several products in 1986 and on optical fibre in October 1987. These cases are
briefly discussed here. On 9 November 1984, South Africa informed the contracting parties
that it ‘decided to suspend temporarily the existing bindings in Schedule XVIII-South
Africa on certain footwear…and to increase the duties on these products’. 20 The
communication stated that ‘imports into South Africa of these products have increased
substantially since 1982’. The communication went on to state that, ‘in its deliberations on
the extent of the tariff protection needed to protect the local industry against disruptive
competition, the Board of Trade and Industries took into account the fact that such
competition is only experienced in the lower price brackets and not in respect of expensive
shoes’. Again in March 1988 South Africa notified the GATT of action taken in terms of
Article XIX on certain footwear, ‘due to a further deterioration of the situation’. The government decided ‘to extend, temporarily the suspension of the existing bindings…on certain footwear…and increase the duties on these products’. The communication stated that, ‘the increased foreign competition experienced by, and the accompanying injury inflicted upon, the local industry…had to be borne by the major manufacturers’.

In September 1985 South Africa imposed safeguards on malic acid and increased duties on it, and in June 1986 it took similar action on several products, including: tall oil fatty acids; calibrated and graduated pipettes, burettes, volumetric flasks, and measuring glasses; wire of high carbon steel; and sparking plugs. In 1987 it decided to increase duties on optical fibre and optical fibre bundles, arguing that the ‘competitive position of the industry in question was severely hampered’. The relatively large number of safeguard actions taken in the 1980s reflects South Africa’s increasing resort to drastic protectionist measures. The evidence from the documentation on safeguards confirms the views of some observers discussed in Chapter 3 that South Africa’s competitiveness in manufacturing was declining in the 1980s, exacerbating its resort to protectionist measures (Feinstein, 2005; Fine and Rustomjee, 1996).

**Article XXVIII negotiations**

Documentation discussed in Chapters 5 and 6 indicated that South Africa was utilising flexibility in the GATT rules in relation to Article XXVIII to protect and build infant industries. Documentation for the era of Crisis and Reform also reveals that South Africa was to use the provisions of the article until the very end of apartheid. Again when it was put under pressure by the GATT members to explain its protectionist actions South Africa was to admit that it was using Article XXVIII to ‘grant a reasonable measure of tariff protection on a selective basis to deserving South African industries’. Chapters 5 and 6 discussed South Africa’s continuous use of the provisions of paragraph 1, which allowed it to renegotiate tariff concessions made in previous GATT Rounds and bilateral negotiations. The country was to use this provision continuously to modify and withdraw its tariff offers after the 1950 Torquay Tariff Conference renegotiations. It was to use the provisions of Article XXVIII(5) throughout the Crisis and Reform era. The documentation

The GATT documentation on this issue is reviewed below. On 22 July 1980 South Africa sent a communication to the contracting parties informing them that it had ‘reserved the right, in accordance with the provisions of Article XXVIII: 5 to modify Schedule-South Africa during the three year period commencing 1 January 1979’ and accordingly it had decided to withdraw certain concessions described as ‘Tractors’. On 30 July 1980 it informed the GATT that ‘the following reductions in duties in South Africa’s customs tariff were implemented on 13 June 1980 in order to give effect to concessions granted to the United States in recently concluded Article XXVIII: 5 negotiations’. These included a list of eight two-digit tariff headings, including some chemical products, piston engines and parts of calculating machines and image projectors on which a tariff reduction of approximately 50 percent was provided.

During the course of 1981 South Africa informed the contracting parties on three occasions that it had ‘withdrawn concessions in terms of the provisions of Article XXVIII: 5 which provided for it to reserve the right to modify Schedule XVIII-South Africa during the three-year period commencing 1 January 1979’. The products on which concessions were withdrawn were listed, including carboxyl acids, auxiliary machinery, alcohol acids, iron and steel wire and machinery. In November 1981, the contracting parties were informed that, ‘South Africa and the European Communities have concluded their negotiations under Article XXVIII for the modification or withdrawal of concessions’. The document included a list of ‘concessions to be withdrawn’, a list of products on which ‘bound rates were to be increased’, a list of products on which ‘initial negotiating rights were to be extended’ and a list of ‘new concessions on items not in existing schedules’. The South African government acknowledged the ‘importance the European Communities attach to the appropriate and prompt action by the Government of South Africa to bring its current import control measures into full conformity with its GATT obligations’.

Interestingly, South Africa explained its policy on import controls as follows: ‘In this regard the South African Government wishes to confirm its policy to liberalize its quantitative restrictions progressively as it succeeds with its negotiations under Article
XXVIII, which are aimed at securing the necessary freedom to grant a reasonable measure of tariff protection on a selective basis to deserving South African industries’. In November 1981, South Africa presented a final report of its negotiations under the article for the three-year period beginning January 1979. It lists the following GATT members with which South Africa had concluded negotiations: Austria, Sri Lanka, Norway, Finland, Spain, the United Kingdom, Greece, Sweden, the United States, Switzerland, Australia and the EEC. In its final report on the negotiations it conducted relevant to the notification, it informed the contracting parties in January 1982 that it had concluded further negotiations with Sweden, Norway, Finland, the United States and the EEC.

Also in November 1981, South Africa informed the contracting parties that it ‘reserves the right under Article XXVIII: 5 to modify Schedule XXVIII-South Africa during the three year period commencing on 1 January 1982’. The negotiations resulted in agreement with Chile, the United States and the EEC in April 1982 and Greece. However, South Africa continued to withdraw concessions on specific products during the three-year period of 1982-84 including on chemical products, pharmaceutical glassware, cricket balls, tubes and pipes, fatty acids, laboratory glassware, sparking plugs and wire of high carbon steel. In October 1984 South Africa again ‘reserved the right under Article XXVIII: 5 to modify Schedule XVIII-South Africa during the three year period commencing on 1 January 1985’. It informed the contracting parties that it had concluded negotiations with the United States, Australia and the EEC. In November 1987 it informed them that it ‘reserved the right under Article XXVIII: 5 to modify Schedule XVIII-South Africa during the three-year period commencing on 1 January 1988’. It again invoked Article XXVIII(5) on two more occasions: ‘during the three year period commencing on 1 January 1991’ and ‘the three-year period commencing on January 1994’.

The above discussion indicates that South Africa was to continue to utilise the provisions of the article to renegotiate and modify its tariff concessions for every three-year period from January 1979 to January 1994. Interviews conducted with South African officials based in Geneva at the time indicate that they were instructed by the Department of Trade and Industry and the Board of Trade and Industry, which received new demands from
agriculture and industry players for protection, to make a reservation for each three-year period indicating South Africa’s intention to renegotiate its concessions. As indicated above, South Africa was to also become much bolder in revealing its real policy stance, which was ‘aimed at securing the necessary freedom to grant a reasonable measure of tariff protection on a selective basis to deserving South African industries’. This approach confirms the arguments made by Ben Fine and Zavareh Rustomjee (1996) that South Africa had increasingly begun to provide ‘protection on demand’ for its business lobbies (discussed in Chapter 3). Thus, the evidence from the documents indicates that Apartheid South Africa was to pursue domestic trade and industrial policies that deviated from the GATT ideas and principles while continuing to profess its support for them. The first Trade Policy Review (TPR) of South Africa discussed below reveals the depth of the economic and political crisis faced by the country and the extent to which its practice deviated from these ideas.

By the end of the 1980s South Africa’s economy was in crisis, as was recognised by the GATT. At its first GATT Trade Policy Review in July 1993 the South African delegate stated that, ‘the South African economy was currently in the grip of its longest recession since 1908’. The government admitted that ‘since 1985, South Africa experienced a massive flight of capital, as overseas investors, including large multinational corporations, began to disinvest on a large scale’. The GATT Secretariat Report on South Africa stated that its real GDP growth had fallen from an average of 6 percent in the 1960s to less than 2 percent in the period 1981-89.

The 1993 TPR Report argued that South Africa’s traditional orientation towards import substitution, combined with policy-driven restrictions on the mobility of labour, contributed to a relatively high cost structure. It went on to state that ‘the hallmarks of the trade system for long were a structure of selective tariff protection and binding import controls’. It argued that, ‘the process of granting tariff protection, or exemption from tariffs, is often ad hoc and selective: rates are changed often, and rebate provisions adjusted, by the Board of Tariffs and Trade in response to requests from sectoral interests’. During the first TPR several delegations criticised the protectionist policies of South Africa. The European Union (EU) delegate stated that, ‘not only were many of the resulting trade
practices in violation of the letter of the General Agreement, the very thrust of overall trade policy was incompatible with the spirit of the GATT’. Several delegations, such as those of the US, Japan, Australia and Switzerland, raised concerns with South Africa’s export subsidy scheme (GEIS). The Secretariat Report states that ‘according to the authorities, the Government and the private sector are aware that export subsidies contravene GATT rules and that the Government plan is to abolish GEIS by 31 March 1995’.55

The first TPR of South Africa, on the eve of the first democratic, non-racial elections in its history provided a good opportunity for GATT contracting parties to reflect frankly on the country’s trade policies. In response South Africa offered a robust critique of the developed countries policies and practices in the GATT – pointing to several cases of protectionism and trade discrimination by the US, EU, Canada, the UK and other developed countries. The discussion of the archives above indicates that there was enough evidence on both sides for the charge of ‘double standards’ to stick.

The documentary evidence suggests that the economic crisis South Africa faced in the 1980s reinforced a more defensive and protectionist stance than it had taken in the GATT since 1948. However, by the early 1990s its stance was to change significantly towards a more liberalised free market economy. The annex to the government report included the draft Normative Economic Model (NEM) of Minister of Finance Keys. The model argued that, ‘South Africa has had a long tradition of import replacement, which has created an inward looking industrial base’ resulting in ‘stagnation in South African industry’ and limiting the ‘potential for further inward-looking industrial development’.56 The TPR also reveals that senior South African policy makers, such as Keys and Stef Naude (the director general of the Department of Trade and Industry) were to reveal the changes in economic policy that were contemplated by the apartheid regime from one of protectionism towards a more liberalised free market economy. Thus, this change in the government’s economic ideas had been stimulated by the deep economic and political crisis that faced the apartheid regime in the 1980s and early 1990s. Blyth’s model of institutional transformation and the role of ideas helps us understand this change (discussed in Chapters 2 and 3).

The question this section set out to discuss was: how was Apartheid South Africa able to implement domestic protectionist and discriminatory policies and still adhere to the ideas
and principles of the GATT? The discussion above focused on four issues: balance of payments and import restrictions, agricultural trade, safeguards Article XXVIII negotiations. The documentary evidence in relation to all four reveals that while South Africa was to profess its adherence to the GATT ideas of freer and more open trade, non-discrimination and reciprocity it was at the same time continuing to pursue protectionist trade and industrial policies to support infant industries. Why was South Africa able to get away with this inconsistency in the GATT? One explanation is related to South Africa’s perception of itself as a developed country in the GATT. In Chapter 4 it was argued that Apartheid South Africa projected itself in this light and was recognised as such by the developed countries in the organisation. South Africa thus adopted the attitude and behaviour of other developed countries in the GATT and was able to get away with inconsistencies as the developed countries were also guilty of this. A fuller explanation for this behaviour is discussed in the next section, where it is argued that an answer can be found in the academic literature drawn from the revisionist historians of multilateralism, the revisionist historians of the multilateral trading system and the early historians of the GATT. These writers help to extend the analytical frameworks of Blyth and John Ruggie discussed in Chapter 2. The next section of this chapter examines documentation on the practices of the developed countries vis-à-vis South Africa in the GATT.

3. Developed country practices vis-à-vis South Africa and GATT principles

In this section the third question identified in Chapter 1 is discussed: why did the major players in the GATT deviate from its idea of freer and more open trade and principles of non-discrimination and reciprocity vis-à-vis South Africa? An examination of the documentation provides us with a number of issues where the developed countries were in practice to deviate from these ideas.

Freer and more open trade

South Africa was to criticise the practices of the developed countries for their unilateral and protectionist actions against its exports in cotton textiles. In the previous chapter the
actions of the US in this regard were discussed. During the final phase of apartheid, Canada had followed the example of the US and ‘had imposed restrictions on imports of certain textile products from South Africa into the Canadian market’ prompting the apartheid regime to initiate a legal dispute against Canada in the GATT. The organisation’s documentation on this issue is discussed further below.

In the previous chapter the imposition of unilateral import controls and quotas in 1979 by the United States on South Africa in relation to cotton textiles was discussed. This action was taken despite the fact that South Africa was not part of the Long Term Agreement on Cotton Textiles, and was clearly unilateral and protectionist. This example was to be followed by Canada in 1988. In February that year Canada notified the GATT Textiles Surveillance Body that it had imposed restrictions on imports of certain textile products from South Africa into its market. In a letter sent to the South African Mission in Geneva, the Canadian delegate explained that ‘in recent months there had been a sharp and substantial increase of imports into Canada of apparel and worsted wool fabrics from South Africa’ and these imports ‘were causing or threatening to cause disruption in the Canadian market for these products’. The letter went on to argue that, ‘these imports have also placed, or are threatening to place, in an inequitable position a number of suppliers with which Canada has concluded bilateral agreements under the Multi-Fibre Arrangement [MFA] to limit their exports to Canada of the above noted products’.57

On 30 August the Textiles Surveillance Body was notified by ‘Canada of a bilateral agreement concluded with South Africa for the period 1 January 1989 to 31 December 1991’.58 The notification stated that the agreement ‘replaces unilateral restraints which were imposed effective 1 January 1988’. In a letter attached to the notification Canada stated that ‘the arrangement covers textiles and clothing products which fall within the scope of the MFA’ and that ‘the bilateral restraint arrangement cover the categories included in the previous unilateral action, i.e., trousers, blouses, tailored-collar shirts, other apparel, and worsted fabric’. It also stated that ‘under the current bilateral arrangement, the restraint levels have been modified to also take into account the average level of South African exports to Canada during the three years prior to the imposition of the unilateral restraint’ and that ‘the arrangement provides for annual growth of six percent for apparel
categories and three percent for worsted fabric’. The letter that the South African delegate sent in reply stated that, ‘this intergovernmental arrangement having now been established, South Africa regards its invocation of the dispute settlement provisions of Article XXII of GATT on this particular matter, as terminated’.

In June 1992, the Textiles Surveillance Body was notified that the bilateral agreement had been extended to cover the whole of 1992,59 in July 1993 that it had been extended to cover 1993 60 and in June 1994 Canada notified it of an extension covering 1994. 61 In a motivating letter attached to the notification the Canadian delegation stated that:

[IN the light of the continued delay in the completion of the Uruguay Round of Multilateral Trade Negotiations…Canadian authorities wish to avoid uncertainties among producers, exporters and importers in Canada and in South Africa…Canadian authorities remain committed to maintaining an effective import control policy for the textile and clothing industries in order to moderate growth in low-cost imports and to provide the Canadian industry with a climate that is conducive to an orderly adjustment process.

The letter went on to state that the Canadian authorities proposed that the Memorandum of Understanding (MOU) be extended until 31 December 1994 or, if the authorities of South Africa were agreeable, for one year beyond this. It then stated that ‘in the event that the Multilateral Trade Negotiations results are implemented in 1995, the second year of this extension, where applicable would be superseded by the restraint structure contained in the MTN agreement’. In its reply to this argumentation and proposal by Canada, the South African Department of Trade and Industry stated that it ‘would respectfully wish to draw attention to the fact that it is mainly on account of the restrictions as embodied in the MOU on South Africa’s exports of those products to Canada, that these uncertainties have arisen’. The South African letter went on to state that, ‘in view thereof, and also having regard to the recent normalization of trade relations between the two countries, it was hoped that the Canadian authorities by now would have seen their way clear to end these quantitative restrictions on the trade between Canada and South Africa’ and that ‘the Department at this stage can only agree to an extension of the MOU until 31 December 1994’.62
South Africa was not part of the original 1961 Short-Term Arrangement on Cotton Textiles, introduced by the US during the Dillon Round (1961), nor was it part of the Long-Term Arrangement (1962) discussed in the previous chapter. The latter arrangement ‘led to four successive Multifibre Arrangements (1974-94) and the discriminatory character of the MFA was progressively intensified and country and product coverage were considerably extended’ (Hoekman and Kostecki, 1995: 207). Exports covered by the MFA were subject to bilaterally agreed QRs or unilaterally imposed restraints. By 1994 the MFA covered 31 developing and Central and East European countries (ibid). Canada’s unilateral actions against South Africa were part of the protectionist approach of developed countries in the GATT (discussed in Chapters 2 and 3) and were certainly not consistent with the idea of ‘free trade’ and non-discrimination that they propagated in the organisation.

Non-discrimination

South Africa was also involved in a dispute with Canada during this final phase of apartheid that illustrates the contradictions in the developed countries’ adherence to the principle of non-discrimination. The case brought by South Africa against Canada arose as a complaint brought against the imposition of its sales tax on South Africa’s Krugerand gold coin. The documentation on this issue is discussed here.

South Africa complained to the GATT contracting parties in June 1994 that it had come to its attention that ‘Canadian Maple Leaf’ gold coin would, effective 11 May 1993 be indefinitely exempted from the 7 percent Ontario retail sales tax, whilst this tax were to remain in force on imported gold coins’. South Africa asserted that, ‘the discriminatory application of the retail sales tax in a manner which affords protection to domestic production of gold coins is clearly in direct conflict with the letter and spirit of Article III of the General Agreement’. South Africa claimed that it had ‘faced mounting losses in the sale of Krugerands in the Province of Ontario’ and that ‘if a satisfactory solution to the trade dispute could not be arrived at by November 1983 the matter would have to be referred to the GATT Council’. It thus requested bilateral consultations with Canada. On 31 July 1984, Canada informed the contracting parties that, ‘the Canadian Authorities had noticed with concern that gold coins imported into South Africa are subject to a domestic sales tax which increased from a rate of 7 percent to 10 percent as of 1 July 1984’ and that
‘South African produced gold coins are exempted from this domestic sales tax’. Canada also sought consultations with South Africa on this issue. On 24 October 1984, South Africa again informed the contracting parties that:

[T]he South African authorities maintain that the discriminatory elimination of Ontario’s sales tax on the maple leaf gold coin is a violation of GATT Article II (non-observance of a tariff binding) and Article III (equal treatment of national and imported products in respect of internal taxes)…[T]he South African Government has no alternative but to request the Contracting Parties to urgently establish a panel pursuant to the provisions of Article XXIII: 2 with a view to investigating the matter and to giving an appropriate ruling.65

On 3 May 1993, a GATT Secretariat TPR Report on South Africa stated that no complaints have been lodged against the country under GATT dispute settlement procedures. However:

[O]ne Article XXIII case has been brought to GATT by the South African Government…[I]n 1984, South Africa requested bilateral consultations under Article XXIII: 1 concerning the application of the retail sales tax by the provincial government of Ontario to the sale of gold coins in a manner which afforded protection to domestic production of gold coins. Consultations did not result in a mutually satisfactory solution and a panel was established to examine whether the action was taken in accord with the provisions of Articles II and III of the General Agreement and whether Canada had carried out its obligations in terms of Article XXIV: 12 of the General Agreement…[T]he Panel report, which to date has not been adopted, found that the action did not accord with the provisions of Article III: 2 (on national treatment) and recommended that Canada compensate South Africa for the competitive opportunities lost as a result until efforts under Article XXIV: 12 (on relations between federal and provincial governments) had secured the withdrawal of the measure…[T]he Ontario Government removed the differential tax treatment on 7 January 1986 and at the November 1991 Council meeting, Canada indicated that it would be in a position to agree to the adoption of the Report in the light of the final outcome of the Uruguay Round.66
South Africa had thus successfully concluded its first case brought to the GATT. In an interview I conducted with Johan Human, the responsible South African official at the time, he indicated that South Africa undertook this action with great caution and circumspection as it was aware that Canada could have threatened to bring South Africa’s apartheid policies into focus by arguing that this was the main reason for its discriminatory action against South Africa’s Krugerrand exports. However, Canada did not raise the apartheid issue and finally succumbed to the South African litigation. There was one other instance where South Africa was involved in a case in the GATT, but only as a third party. This was in the dispute between Chile and the European Community (EC) on dessert apples. The Secretariat TPR Report states that South Africa had made a submission to the panel in this case, claiming discriminatory treatment in the EC administration of quotas. The report, finding the actions of the EC inconsistent with Articles X, XI and XII was adopted by the Council in June 1989.67

During the period under review South Africa began to constantly lay the charge of trade discrimination against the major industrialised countries in the GATT. At the Thirty-Eighth Session Ministerial Meeting (24-27 November 1982) Minister De Villiers stated:

The GATT system can only function effectively if all the signatories adhere to the principles contained in its Articles and the rules and procedures evolved since the establishment of the Agreement some three and a half decades ago. Regrettably, there has been an increasing tendency to impose trade barriers of rather formidable proportions outside the disciplines of the GATT. My Government considers it of great importance that this tendency should be redressed and that these barriers should be eliminated as far as possible in conformity with the rules of the GATT.68

The successful case against Canada clearly indicates that South Africa had also experienced the actions of developed countries that had tended to deviate from their professed commitment to the GATT principle of non-discrimination. The discussion turns next to the principle of reciprocity.

**Reciprocity**
As discussed in Chapters 5 and 6, South Africa was an active player in each round of the GATT since 1947. It had made significant concessions in each round, except the Geneva Round in 1956. During the final phase of apartheid, it had played an active role in the Uruguay Round and had made very significant concessions as a ‘developed country’ member while many of its comparator countries, such as Brazil, India, Mexico and Malaysia, had offered significantly fewer concessions due to their ‘developing country’ status in the GATT.

The documentation reveals that the apartheid regime at the time had deliberately offered more significant concessions in line with its new attitude to accelerate the shift of the economy towards greater liberalisation. It is argued here that these were to come back to haunt South Africa in the Doha Round. The discussion also reveals the dramatic change in the level of concessions offered by South Africa from the earlier negotiations of the round towards the end of the Uruguay Round, indicating a sharp reversal from its traditional policies of trade protection.

South Africa made offers and participated in the GATT Uruguay Round in at least four of the negotiating groups for which this research was able to obtain documentation: the Negotiating Groups on Tropical Products, Agriculture, Tariffs (which was part of the Negotiating Group on Goods) and Services.

During the first Trade Policy Review of South Africa in the GATT in June 1993, its delegate stated that, ‘South Africa’s provisional tariff offer, together with existing bindings, would result in approximately 55 percent of its industrial tariff lines being bound in GATT’. The South African delegate, however, went on to state, in response to several members urging for South Africa to improve its offer, that it had undertaken a fundamental review of its trade and industrial policy, and had found that South Africa’s existing industrial offer provided an inadequate base for fundamentally rationalizing the present tariff structure. Thus the delegate promised that ‘a revised offer, to be submitted, would permit a fundamental restructuring of the tariff and meet Uruguay Round objectives’. In his closing remarks, the delegate went to state that, ‘the authorities were also coming to the conclusion that the binding of a large part of the tariff would aid the tariff reform process. South Africa, therefore, intended to substitute a revised offer that would extend the binding
schedule and reduce average base rates. This would be submitted as soon as possible after consultations with interested parties and discussion in the NEF [National Economic Forum].

On agriculture, the delegate stated, ‘the Government was committed to market reforms and...a committee appointed by the Minister of Agriculture had investigated the statutory marketing of agriculture products and the report of the committee had recommended further liberalization’, and that ‘a Policy Evaluation Committee had been appointed to recommend implementation’.

In line with these indications, South Africa’s negotiating posture in the Uruguay Round was to change remarkably after its TPR in June 1993. Minister of Finance and Trade and Industry Keys withdrew South Africa’s previous offers and brought the issue to the newly created National Economic Forum (NEF), discussed in Chapter 4. Alan Hirsch states that, ‘the Forum toiled over endless reams of spreadsheets of base tariffs, applied tariffs and proposed tariff bindings’ and while ‘not all participants were equally enthusiastic’ the NEF agreed to submit an offer to the GATT of: ‘a 33 percent average phase-down on all industrial tariffs and 21 percent cut on agricultural products’ (Hirsch, 2005: 128). In relation to South Africa’s sensitive products – ‘products that had high levels of protection and had very high levels of employment – such as textiles and clothing and motor assembly and component manufacture’, there would be a special dispensation or exceptions to the general phase down. The Clothing and Textile Union (SACTWU) successfully negotiated a longer phase down period of 12 years from the original five demanded by the GATT contracting parties for all developed countries. As Hirsch explains, this was only obtained after Nelson Mandela was urged to intervene on their behalf and call US president Clinton on the eve of the conclusion of the Uruguay Round (Hirsch, 2005: 110-130). In the agricultural sector, South Africa committed to a 36 percent cut in agricultural tariffs and a 21 percent cut in agricultural subsidies.

Similarly, in the services negotiations in November 1982, South Africa was of the view, which coincided with many developing countries, that the services sector should not become part the Uruguay Round negotiations. Minister De Villiers had stated: ‘My Government agrees that the services sector falls outside the purview of the GATT’. However, on 27 September 1991 South Africa submitted its ‘Preliminary Conditional Offer...
concerning initial commitments on Trade in Services’ to the GATT. The offer covered just four of the 12 sectors of the General Agreement on Trade in Services (GATS). It was revised in September 1993 to include communication services, distribution services, transport services and ‘Other Services not included elsewhere’. South Africa’s draft final offer is contained in the following two documents: ‘Draft Schedule of South Africa concerning Initial Commitments on Trade in Services’ submitted on 26 November 1993 and ‘Revised MFN Exemption List of South Africa’ on 6 December that year. The Draft Schedule reflects ‘the results of bilateral negotiations’ and was prepared ‘based on the Scheduling of Initial Commitments in Trade in Services: Explanatory Note of the GATT of the 3rd of September 1993’. It is a comprehensive offer including all but three of the 12 core sectors of the GATS classification system. The three sectors in which no commitments were offered are educational services; health-related and social services; and recreational, cultural and sporting services.

During South Africa’s TPR, several delegates, including those from Canada and Australia, urged South Africa to accede to the Tokyo Round codes, such as Government Procurement, Subsidies and Countervailing and Anti-Dumping Measures. In response, the South African delegate stated that while, ‘the Government had not taken a final decision on accession to the Subsidies and Anti-Dumping Codes, South Africa’s accession to the Final Act of the Uruguay Round would automatically result in accession’. The GATT Secretariat Report states that ‘South Africa has participated in all rounds of multilateral trade negotiations and has adhered to the Tokyo Round Codes on Import Licensing and Customs Valuation, as well as the International Arrangement on Bovine Meat and the International Dairy Arrangement and has observer status in the Government Procurement, Subsidies and Anti-Dumping Codes’. In his statement during the course of the TPR, the US delegate expressed his pleasure that ‘South Africa intended to join the Uruguay Round TRIPS agreement’.

The discussion above on South Africa’s Uruguay Round offers reveals that its stance was to change dramatically from the earlier modest offers on agriculture and industrial tariffs and opposition to the inclusion of services in the Uruguay Round. In the final stages of the round it was to make very significant concessions in the market access negotiations on
agriculture, industrial tariffs and services. How and why did this change take place? Keys, as the new minister of finance and trade and industry, appointed by P.W. Botha, established a National Economic Forum that included representatives from the ANC, business and the trade unions.

Why did such a group make such significant concessions? Interviews conducted with South African officials based in Geneva at the time suggest that there was a combination of several factors that contributed to this change of position, including: the immense pressure by the major players (the US and the EU); the change in the policy stance of the apartheid government represented by Keys, who believed that the South African economy required significant reforms (discussed above); and the tacit agreement of the new policy makers from the ANC and the Congress of South African Trade Unions (COSATU) that concessions made in the GATT would create the opportunity for South Africa to make the harsh reforms that were necessary to rebuild the competitiveness of the economy (Hirsch, 2005: 128). There was moreover growing agreement – known as the ‘Washington Consensus’ – in the major multilateral economic institutions of the world, including the GATT, IMF and World Bank, that trade liberalisation, privatisation and macro-economic stability were the correct policies for all countries to follow (Serra, Spiegel and Stiglitz, 2008: 3; Williamson, 2008). This issue is discussed further in the concluding chapter.

South Africa was to also participate in the conclusion of the Uruguay Round, held in Marrakesh, Morocco on 12-15 April 1994, just two weeks before the first democratic elections were to be held in the former country. Keys, in his statement to the Ministerial Meeting, pointed out that, ‘South Africa was a founding member of the GATT and has always been an active participant in all the preceding rounds of multilateral trade negotiations’. He went on to state that, ‘the World Trade Organization as successor institution to the GATT is important for South Africa as it provides an international forum where small countries can endeavor to protect their international trade interests in accordance with universally accepted rules’.

So, the evidence from the GATT documentation discussed in this chapter indicates that the practices of the developed countries in the organisation vis-à-vis their trade with South Africa were to deviate from the ideas of freer and more open trade, and the principles of
non-discrimination and reciprocity. How should we understand this inconsistency in the attitude and behaviour? How should we understand the inconsistency of South Africa, which continued to pursue protectionist trade and industry policies domestically, while continuing to profess its support for the ideas and principles of the GATT? An explanation is discussed in the concluding section of this chapter.

4. Conclusion

In the introduction to this chapter, two questions were identified for exploration: how was Apartheid South Africa able to implement its domestic protectionist and discriminatory policies and still abide by the principles of the GATT? and why did the major players in the GATT deviate from the its idea of freer and more open trade, and the principles of non-discrimination and reciprocity? This chapter has discussed these questions with reference to the GATT documentation on South Africa for the era of Crisis and Reform (1980-94).

In section 2 the evidence from the archives indicate that South Africa used the flexibilities of several provisions of the GATT to pursue protectionist trade and industrial policies in support of infant industries. These provisions included at least four significant measures: balance of payments and import restrictions, agricultural trade, safeguards and Article XXVIII negotiations. The evidence illustrates graphically the dramatic changes unfolding in South Africa’s economy and political landscape in the 1980s and early 1990s. While it adopted a posture of defensiveness and utilised every opportunity provided by the GATT rules – especially in the four areas identified above – to both defend its industries and provide protection to its business lobbies in the 1980s, by the early 1990s the stance of the apartheid government had begun to change in favour of domestic economic reform towards liberalisation. Derek Keys was to provide the leadership to engage with the new democratic forces in South Africa to make significant trade liberalising commitments in the GATT, during the final moments of the Uruguay Round.

South Africa provides a classic case study for the study of ideas and institutional transformation proposed by Blyth (2002). It underwent change in economic ideas from those of free trade in the beginning of the 20th Century with the mining sector and Jan
Smuts as its champion, to those of state intervention in support of industrial development, from 1924 onwards, only to be reversed again in the early 1990s, when the economic and political crisis of South Africa had deepened and required a new narrative during a period of high uncertainty. The Afrikaner and English business elites were quick to respond and provide their ideas for reform. The new social and political forces represented in the National Economic Forum, initiated by Keys to help him negotiate the Uruguay Round, agreed to make significant new concessions in the round, notwithstanding the fact that the developed countries had made insignificant changes to their agricultural policies (Hirsch, 2005: 110; Stiglitz, 2003). The documentation also reflects that the trade practices of the developed countries in the GATT towards South Africa continued to reflect a deviation from the organisation’s ideas and principles. Canada’s unilateral imposition of textile quotas against South Africa and the discriminatory taxes imposed on its Krugerrand provide evidence for this finding.

Why did South Africa pursue protectionist trade and industrial policies domestically at the same time as continuing to profess rhetorical support for the ideas and principles of the GATT? Why did the developed countries also deviate from in their trade with South Africa? It was argued above that the theoretical frameworks of both Blyth and Ruggie, discussed in Chapters 2 and 3, need to be extended by the writings of other revisionist historians of multilateralism (Mazower, 2009; 2012); revisionist historians of the multilateral trading system (Wilkinson, 2006, 2014; Wilkinson and Scott, 2008); and the work of the early historians of the GATT (Wilcox, 1949; Gardner, 1956; Curzon, 1965; Patterson, 1966; Kock, 1969). These writers have pointed to the contradiction between the practices of the developed countries in the GATT and their propagation of the ideas and principles of the GATT/WTO such as freer and more open trade, non-discrimination and reciprocity. This chapter concludes the discussion on the empirical documentation of South Africa in the GATT. The final chapter summarises the discussion in this study and draws some analytical insights for future research on the GATT/WTO and South Africa’s trade and industrial policies.
Chapter 8: Conclusion – Understanding Apartheid South Africa in the GATT, 1947-94

1. Introduction

The main purpose of this study has been the examination and analysis of the GATT documentation on Apartheid South Africa. The study covers the whole of the GATT period from its inception in 1947 up until 1994, when it was transformed into the WTO. Coincidentally, the period of the study overlaps with the rise and decline of Apartheid South Africa, from the coming into power of the Nationalist Party in 1948, to the inauguration of the new democratic government, led by Nelson Mandela, in 1994. Over 800 documents from the GATT archives on the role of South Africa have been analysed for this study. The documentation was organised thematically into roughly 16-year periods. As discussed in Chapter 1, the study set out to draw insights on three questions that arise from an examination of the documentation on South Africa: first, why did Apartheid South Africa project itself as a developed country in the GATT from its formation in 1947? Second, how was Apartheid South Africa able to implement domestic protectionist and discriminatory policies and still abide by the principles of the GATT? And third, why did the major players in the GATT reflect a tendency to deviate from the main ideas and principles of the GATT in their trade practices vis-à-vis South Africa?

Inspired by the writings of Nelson Mandela, who implores us to look to both ideas and history in explaining the inequity of Apartheid South Africa, this study began by identifying the most relevant theoretical work on the roles of ‘ideas’ and ‘history’ to help illuminate and discuss these three questions in the examination the GATT documentation. The study has drawn mainly on the work of constructivists writers Mark Blyth (2002) and John Ruggie (1992, 1994, 1998) on the role of ideas, and the work of critical theorists, such as Robert Cox (2002, 2013), on the role of history in international relations, as their work is most helpful in illuminating these questions.
Blyth’s analytical framework was applied to the discussion of the historical overview of South Africa’s trade and industrial policies in Chapter 3, where it was argued that his model of economic transformation and the role of ideas was a useful analytical tool to discuss the history of trade and industrial policies of South Africa in the 20th Century. Blyth’s model of institutional transformation was applied to understand the process of change in South Africa’s trade and industrial policies from the beginning of the 20th Century to the end of the apartheid era. It was argued that Blyth’s analysis takes us beyond Karl Polanyi’s ‘double-movement’ of history, which does not foresee that the pendulum would again swing towards ‘dis-embedding the market’ as we observe in the South African case. Thus, Blyth’s model, which reflects the continuous movement of history from ‘free market’ policies in the early 20th Century to more protectionist Keynesian policies (which favoured national industrial development and the social welfare state) and then a reversal to free market policies or neo-liberalism in the 1980s and 1990s, can be observed in the South African experience. Its unique racial policies were to provide a distinct ‘colour’ to this experience and the main underlying factor for the decline and failure of its industrial development. Although Blyth’s work on the role of ideas and his model of transformation has helped us analyse the trade and industrial policies of South Africa, it has not provided us with any useful insights into the contradictions that we have observed between the ideas and practices of both Apartheid South Africa and the developed countries in the GATT. It has also been argued (in Chapter 2) that while Ruggie’s theoretical work is helpful in analysing the multilateral trading system and its main ideas, the concept of ‘embedded liberalism’ that he uses to characterise the multilateral trading system, is an incomplete characterisation of the GATT as it does not help us explain the contradictions between the ideas and practices of the developed countries in the GATT.

This study has followed the injunction of Cox to study both ideas and history to gain insights into the contradictions of Apartheid South Africa and the role of developed countries in the multilateral system. It is for this reason that the study has drawn on the literature on the history of multilateralism and the GATT. In Chapter 2 it was argued that although there is a vast literature on the history of the GATT, much of it is written from an orthodox standpoint, especially on the role of developing countries (Hoekman and
It has been argued in this study that the work of the revisionist historians of the multilateral system (Mazower, 2009, 2012) and the writings of the recent revisionist historians help us explain the contradictions between the ideas and practice of the developed countries in the GATT. What insights have been gained from an examination of the GATT documentation on the three questions that this study set out to explore? This chapter summarises the findings of this study on each question in turn. Finally, the main contributions of this study will be discussed.

2. South Africa’s development status in the GATT

Why did Apartheid South Africa project itself as a developed country in the GATT since its formation in 1947? This study has argued that it did so as a reflection of the interests of the Afrikaner elite and white population. It was also building on a ‘collective self-concept’ of South Africa’s place amongst the major powers, long established by Jan Smuts – in fact since the founding of the League of Nations (Ruggie, 1994: 555; Mazower, 2009: 28-65). The leading role of Smuts in the development of multilateral institutions was briefly outlined in Chapter 2. It will be recalled that his ideas were central to the formation of the League of Nations (Mazower, 2012). In his ideational analysis of US foreign policy, Ruggie has argued that both Wilson and Roosevelt reflected the ‘deeply embedded factors in the American sense of community itself’ (1994: 554) and thus supported the creation of multilateral institutions after the First World War and the Second World War. He argued that these institutions, the League of Nations, created in 1918, and the United Nations, created in 1945, reflected ‘America’s own collective self-concept’ (ibid: 555).

However, it was argued in Chapter 4 that Ruggie’s conception of the norms and values of the multilateral system that emerged after the Second World War, including the GATT,
needs to be put into the context of the ideas and vision of Smuts, who was clearly a visionary for his time and contributed to the liberal ideas on multilateralism of US presidents Woodrow Wilson and Franklin Roosevelt. Yet, how do we explain the fact that Smuts was at the same time building the foundations of segregation at home in South Africa? As discussed in Chapter 3, the formation of the Union of South Africa in 1910, led by Smuts, excluded the majority of South Africa’s people from its citizenship, and Smuts was to be the architect of laws that deepened racial segregation in South Africa from then until his political demise in 1948.

This inconsistency in Smuts’ ideas and norms can also be seen in his vision for the United Nations. Mazower argues that while the Preamble of the UN Charter, which was drafted by Smuts and agreed at San Francisco in 1945, had called for the organisation to ‘re-establish faith in fundamental human rights’, Smuts had not called for the dismantling of the segregationist state in South Africa, or that of the British Empire as a whole, ‘nor did he see any incompatibility between his rhetoric and his policies’ (Mazower, 2009: 64). Smuts and the segregationist governments of South Africa since the creation of the Union regarded themselves as being ‘developed’ and part of the ‘civilised’ world. Smuts participated in the international system from the early 20th Century as a major player. The apartheid regime projected the norms, values and ‘collective self-concept’ of a small part of the population of South Africa rather than the interests of the majority of its people.

It is thus argued that South Africa’s projection of itself as a developed country in the GATT and its recognition by other developed members in the organisation as such was steeped in its political perception of itself as belonging to the ‘Western civilised group of countries’, which the developed countries themselves felt the white minority regime was part of, as well as of the British Commonwealth of Nations, together with Australia, New Zealand and Canada. However, the perception of Apartheid South Africa amongst many of the developing countries was significantly different. The evidence from the GATT documentation indicates that India, from the outset, and later a large group of African countries were to protest strongly in the GATT at the ‘racial discrimination’ policies of Apartheid South Africa. The developed countries in the GATT, on the other hand,
continued to maintain the idea of the organisation as neutral and indifferent to the politics of its members.

The rebellion by the African Group at the Punte del Este meeting in 1986 thus created a crisis for the GATT. This resulted from the differences in the views of the developed and developing countries on the approach to be taken to South Africa’s domestic racial policies. The evidence indicates that while the developed countries wanted to maintain the GATT as politically neutral and thus remain indifferent to the policies of segregation practiced by South Africa, the developing countries were of the view that the organisation needed to act against these policies. The study has argued that these different views can be understood when the differences in the ideas, vision and norms of the main architects of the multilateral system, Wilson and Roosevelt, on the one hand, and Smuts, on the other, are considered.

The political and economic crisis that Apartheid South Africa was under in the 1980s was to create the conditions for the regime to begin to reconsider its development status in the GATT. The information drawn from the documentation reveals that at the 1993 Trade Policy Review of South Africa its negotiators requested for its development status to be changed from ‘developed’ to ‘developing’. This change can be explained by Blyth’s model of institutional transformation and the role of ideas, discussed above. It was no doubt influenced by, and was to anticipate, another vision that was to rise from below and influence the new democratic South Africa’s participation in the WTO. At the 50th anniversary celebrations of the multilateral trading system, held in Geneva in May 1998, Mandela, as the president of the first non-racial democracy in South Africa, reminded the audience that although the country had been a member of the GATT since its inception ‘the vast majority of South Africans had no vote’ (WTO, 1998). He nonetheless committed South Africa to work for a rules-based multilateral trading system ‘that worked to the mutual benefit of all nations and peoples’ and that was ‘just’. Thus both Ruggie’s conceptual work on the role of ideas in international institutions and Blyth’s model of institutional transformation provide us with a useful analytical tool to understand why South Africa positioned itself as a developed country in the GATT and why it began to change this position in the early 1990s.
However, their work needs to be complemented by that of writers such as Cox and E.H. Carr. Cox urges us to consider that: ‘theory is always for someone and for some purpose’ and that there is ‘no such thing as theory in itself, divorced from a standpoint in time and space’. In addition, he argues that, ‘as between different civilized values, active pretensions of universality are ultimately reducible to power’ (2002: 59). What Carr wrote in 1946, Cox argues is still appropriate: ‘theories of social morality are always the product of a dominant group which identifies itself with the community as a whole, and which possesses facilities denied to the subordinate groups or individuals for imposing its view of life on the community’. He argues that theories of international morality are, ‘for the same reason, and in virtue of the same process, the product of dominant nations or groups of nations’ (ibid: 61).

The discussion in Chapter 4 has argued that the ideals and vision that Smuts was to offer to shape the creation of the multilateral system was seen to founder on the contradiction that his vision was also to reflect that of a narrow group of interests in South Africa and was steeped in the politics of the British Commonwealth. It was thus argued that we need to be cautious about the vision and ideals of the most powerful country that emerged after the Second World War and that was to almost single-handedly drive the negotiations for the creation of the new multilateral agencies that were to emerge after the War, including the GATT. The discussion in Chapters 4-7 on the GATT documentation indicates that Apartheid South Africa and the developed countries tended to deviate from the ideas and principles of the organisation, described by Ruggie, while they continued to profess their support for them. The findings on the second question explored in this study are discussed in the next section.

3. South Africa’s trade and industrial policies and the GATT

The second question that we explored in this study is, how was Apartheid South Africa able to implement domestic protectionist and discriminatory policies and still abide by the principles and agreements of the GATT? In addition, we needed to understand why Apartheid South Africa was to change its trade and industrial policies in the late 1990s. The documentation analysed indicates that while South Africa joined with other developed
countries in espousing the ideas and principles of the GATT, it deviated from them in practice. The evidence from the discussions in Chapters 5-7 reflects that continuous use of the GATT balance of payments provisions from 1948 until 1995 allowed South Africa to impose a complex system of discriminatory and non-discriminatory import restrictions. Similarly, the discussions in these chapters on the use of Article XXVIII negotiations and renegotiations suggests that it took advantage of loopholes in the GATT rules to protect and build its infant industries.

In Chapter 5 we observed that between 1954 and 1958 South Africa undertook no fewer than 45 anti-dumping measures on a range of products against almost all European countries, the United States, Japan, Hong Kong, Egypt and the USSR. Similarly it undertook several safeguard actions in the GATT on manufacturing products in the 1980s (discussed in Chapter 7). By 1993 the GATT secretariat was to criticise South Africa’s trade policy as being characterised by: ‘a structure of selective tariff protection and binding import controls’.¹ The evidence that we have reviewed in this study on the country’s practices in the GATT on balance of payments restrictions, Article XXVIII renegotiations, agriculture, anti-dumping and safeguards suggests that its approach and practices were substantially protectionist in nature and not consistent with the ‘letter and spirit’ of the organisation’s ideas and principles.

However, by the mid-1980s business leaders, faced with a deepening economic and political crisis, took the initiative and began to meet with the ANC. Gavin Relly, the head of the Anglo-American Corporation, visited representatives of the party in Lusaka in September 1985. Anton Rupert, the doyen of Afrikaner business, warned P.W. Botha that if reform did not take place South Africa’s future would be ‘both poor and black’ (Giliomee, 2012: 272). The apartheid government began to change its economic policies and ideas in response to this crisis. In the GATT, the thinking of these reformist Afrikaner leaders was presented in the government report to the Trade Policy Review of South Africa held in 1993.

The report provides an interesting insight into the new reformist ideas of the last apartheid leaders: Minister of Finance and Industry Derek Keys and Director General of Trade and Industry Stef Naude. The annex to the draft report contains Keys’ draft Normative
Economic Model. Interestingly the model is highly critical of Apartheid South Africa’s protectionist trade and industrial policies. It argued that, ‘South Africa has had a long tradition of import replacement, which has created an inward looking industrial base’ resulting in ‘stagnation in South African industry’ and limiting the ‘potential for further inward-looking industrial development’.\(^2\) This new change in the economic ideas and policies of the apartheid government was to influence South Africa’s posture in the last GATT round of negotiations: the Uruguay Round (1986-93).

The discussion in Chapter 7 on the Uruguay Round reveals that South Africa’s stance was to change dramatically from its earlier modest offers on agriculture and industrial tariffs, and its opposition to the inclusion of services, to making very significant concessions in each of market access negotiations on agriculture, industrial tariffs and services. How and why did this change take place? Interviews conducted with South African officials based in Geneva at the time suggest that the reasons for this change include a combination of: a) immense pressure by the major powers in the GATT (the US and the EU); b) a change in the policy stance of the apartheid government represented by Derek Keys, who believed that the South African economy required significant reforms; and c) the tacit agreement of the new policy makers from the ANC and COSATU who believed that concessions made in the GATT would create the opportunity for South Africa to make the harsh reforms that were necessary to rebuild the competitiveness of the economy (Hirsch, 2005: 128).

However, the country’s offer to substantially increase tariff bindings and reduce bound rates in industrial tariffs in its final offer were to come back to haunt it during the Doha Round. As a result of its developed country tariff cuts in the Uruguay Round its bound rates on industrial tariffs were almost half those of its comparator developing countries, such as India, Brazil, Argentina and Mexico (Davies, 2009). Thus, South Africa’s desire to join the developed country club in the early period of the GATT finally caught up with it in the WTO Doha Round.

It was argued that Blyth’s model of the sequence of ideas in the process of transformation, discussed in Chapter 2, helps us to understand these changes. The deepening political and economic crisis of apartheid in the 1980s and early 1990s created the need for new economic ideas. Business interests in South Africa, including Afrikaner businesses, began
to formulate a new narrative to preserve their interests in the new democratic South Africa. These ideas were to be contested by the new democratic forces that were preparing to govern (Fine and Rustomjee, 1996). Many of these ideas were to succeed in influencing the new economic policies of the new democratic government (Hirsch, 2005; Habib, 2013). This study thus provides substantial empirical documentation for a continuing discourse on the reasons for the changes in economic policy on the eve of the new democratic South Africa coming into power. The findings on the third question identified in this study are discussed next.

4. Contradictions between ideas and practices in the GATT

The third question this study has analysed is, why did the major players in the GATT reflect a tendency to deviate from the main ideas and principles of the organisation in their trade practices vis-à-vis South Africa? In Chapter 2 it was argued that Blyth’s theoretical framework does not account for situations where ideas propagated at the domestic level are often different from those propagated and adhered to at the multilateral level – in fact his theoretical work is focused at the national level and does not focus on the multilateral. Thus to assist this study in analysing the role of South Africa in the GATT we also drew on Ruggie’s analysis of the role of ideas in shaping the post-Second World War multilateral trade regime. This helps us understand the ideological framework and narrative of the regime’s institutions, in particular the GATT.

However, we argued that Ruggie’s analysis is also incomplete. He has painted a picture of an ideal type multilateral trade institution that US architects had intended to establish. His analysis argues that the US adopted policies of embedded liberalism domestically. It has been argued in this study that while Ruggie’s characterisation of the multilateral trading institutions as having adopted the ideas of ‘freer and more open trade’ and the principles of ‘non-discrimination’ and ‘reciprocity’ helps us understand the values and norms that the GATT’s architects intended for it, his analysis does not foresee or account for the contradiction that would arise from applying one set of ideas at home and another abroad in the multilateral trading system.
Thus, Ruggie’s analysis does not extend to the contradictions in the practices of the GATT, where for much of its history its main architects were to propagate these ideas while tending to deviate from them in practice whenever their interests required them to. The evidence from the GATT documentation, analysed in Chapters 5-7, it was argued, indicated that while developed countries had continued to propagate these ideas, their practices vis-à-vis South Africa in the GATT deviated from them.

The litany of complaints that South Africa raised against the developed countries in its first Trade Policy Review in 1993 clearly indicates the many issues on which developed countries were to deviate from their professed commitment to these ideas (discussed in Chapter 7). Such issues include the unilateral and protectionist imposition of import quotas on South Africa’s cotton textiles by the United States (in 1979), Canada (1988-94) and the UK (1984). Other examples that could be added to the list of South Africa’s complaints against developed country protectionism (discussed in Chapter 7) include: Canada’s imposition of ‘discriminatory’ (trade discrimination) taxes against South Africa’s Krugerrands; the EU’s demands for voluntary restraints against its dessert apples; the US demands for voluntary restraints on its steel exports to the US; and the massive subsidies on agricultural products by the OECD that impeded its agricultural trade.

Why did the developed countries deviate from these ideas and principles in their trade with South Africa? Why was South Africa able to pursue protectionist trade and industrial policies domestically at the same time as continuing to profess its rhetorical support for the ideas and principles of the GATT? The study has argued that the analytical frameworks on the role of ideas offered by both Blyth and Ruggie do not account for the contradictions of economic actors, such as developed (or developing) countries between in their support for ideas and principles expressed in the multilateral system and their practices at the domestic level.

In Chapter 3 it was argued that while Blyth offers us a robust theoretical framework to analyse the role of ideas in economic transformation his analysis is incomplete as it does not account for the contradiction that while one set of ideas were propagated at the domestic
level another were often propagated at the multilateral. Similarly, it was argued that while Ruggie offers a useful framework to analyse the role of ideas in the multilateral trading system, his theory of embedded liberalism is incomplete and does not account for the contradictions in the practices of developed countries in the GATT.

This study has thus argued that both Blyth and Ruggie’s analytical frameworks need to be extended by drawing on the insights of historians of the multilateral trading system, recent revisionist writers on the multilateral trading system and the early historians of the GATT. This extended analytical framework was utilised to examine the GATT documentation on South Africa in Chapters 4-7.

5. The main contributions of this study

As stated in the introduction to this chapter, the main purpose of this study is to reveal the participation and role of South Africa in the GATT from 1947 to 1994, by delving into the organisation’s archival material. Over 800 documents have been examined, providing a rich store of information on the country’s role in the GATT. Few of these documents have previously been brought to public scrutiny or appear in the academic literature. This study thus provides students of the GATT and of Apartheid South Africa’s trade and industrial policies a comprehensive new set of materials to deepen their knowledge and insights. This is the main contribution of this study.

At least three important areas of research could be supported by the empirical data provided by this study. First, the observation made by Bill Freund (2013) that while there have been several excellent contributions on the early history of South Africa’s industrialisation (Kaplan, 1976; Clark, 1994) there are not many studies of its trade and industrial policies during the apartheid period (Fine and Rustomjee, 1996), needs to be taken seriously. This study makes a contribution to stimulate new research and analyses of South Africa’s trade and industrial policies under apartheid. Second, the development status of South Africa in the GATT has always intrigued students of the organisation (Hirsch, 2005), yet there has been no empirical base of information from which to study this question. The
comprehensive documentation from the GATT archives revealed in this study provides students of South Africa and multilateralism with a large body of material to develop new insights and analyses on its role in the organisation. Third, apart from a partial view into South Africa’s role in the Uruguay Round undertaken by Hirsch (2005), there is no significant study on the role of South Africa in previous GATT negotiations (the other seven rounds). This study provides the most comprehensive information on the history of South Africa in the GATT from the first round in 1947 to the end of the Uruguay Round (the eighth).
List of Interviews

Johan Human
I interviewed Johan Human in early July 2013. He was a director of the Rules Division in the WTO, Geneva. He had been employed by the Department of Trade and Industry since 1984 and represented South Africa in the GATT/WTO in Geneva from 1986 to 1989 and 1990 to 1995. From 1996 to 1997 he was head of the WTO Directorate in the South African Department of Trade and Industry. Prior to joining the WTO secretariat in July 2001, Human was head of the Trade Remedies Unit of South Africa from 1997 to 2001.

Kobus du Plooy
I interviewed Kobus du Plooy on 1 August 2013. He was employed by the Department of Trade and Industry, in Pretoria, at the time of the interview, which he had joined in 1977. He served as a representative of South Africa to the GATT in Geneva from 1981 to 1986.

David Hartridge
I interviewed David Hartridge on 4 September 2013. He was retired at the time. He had served as a representative of the British government to the GATT from 1971 and then was employed by the GATT secretariat. He served as a chef de cabinet of the GATT director general from 1980 to 1985 and as acting director general from May to September 1999. He was responsible for the GATT Office for Multilateral Trade Negotiations, in which capacity he played a key role in the launch of the Uruguay Round. He was also the director of the Services Division of the GATT/WTO from 1993 to 2001.

Raghavan Chakravarti
I interviewed Chakravarthi Raghavan on the 26 July 2013. He was 88 years old at the time of the interview. He was a leading Indian journalist and has held the post of chief editor of the Press Trust of India. In 1980 he became the chief editor of the South-North Development Monitor (SUNS). He was a journalist in India in 1946 and worked as a
journalist based in Geneva during the time of the Uruguay Round. He was retired when I interviewed him. He was still, however, writing for various newspapers and journals.
Archival GATT Documentation


GATT doc, ‘New Measures of Import Restriction. Union of South Africa. Note by the Executive Secretary’, RESTRICTED L/8, 21 May 1952.


GATT doc, ‘Import Restrictions of the Union of South Africa. Statement by the Minister of Economic Affairs in Regard to further Relaxations of Import Control’, RESTRICTED L/665 19 August 1957.


GATT doc, ‘1959 Consultations under Article XII: 4 (b) with the Union of South Africa. Basic document prepared by the secretariat’, RESTRICTED, 6 March 1959.


GATT doc, ‘1961 Consultation under Article XII: 4 (b) with the Union of South Africa. IMF Executive Board Decision at Conclusion of the Consultation between the Fund and the Union of South Africa’, CONFIDENTIAL, 15 March 1961.


GATT doc, ‘Twelfth Session. Speech by the Hon. Dr. A. J. R. Van Rhijn, Minister of Economic Affairs and Mines of the Union of South Africa at the Plenary Meeting of the Contracting Parties held on Tuesday 29th of October 1957’, 29 October 1957.

GATT doc, ‘Fifteenth Session of the Contracting Parties. Address delivered by the Honourable Dr N. Diederichs, Minister of Economic Affairs of the Union of South Africa, at the Plenary Meeting on Tuesday 27th October 1959’, 27 October 1959.


GATT doc, ‘Committee of Balance-of-Payments Restrictions. 1964 Consultations under Article XII:4 (b) with the Republic of South Africa’, CONFIDENTIAL Spec (64)95, 8 May 1964.


GATT doc, ‘Committee of Balance-of-Payments Restrictions International Monetary Fund Executive Board Decision taken at the Conclusion of the Fund’s Consultation with South Africa on 16 October 1968’, RESTRICTED. Spec(68) 111, 25 October 1968.


and South Africa. Note by the Chairman’, RESTRICTED. COM.TEX/SB/1952, 1 September 1994.


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Welsh, D. (2009), The Rise and Fall of Apartheid (South Africa: University of Virginia Press).


Notes

Chapter 4


2 Ibid.


4 Ibid.


6 GATT doc GATT/CP.2/14, 20 August 1948.

7 GATT doc GATT/CP.2/16, 21 August 1948.


13 Ibid.


16 I am indebted to Johan Human, David Hartridge and Chakravarti Raghavan for their insights and information on this issue.

17 I interviewed Mr. Chakravarthi Raghavan who wrote this press report in 1986. He was a journalist based in Geneva at the time. At the time of the interview, on 26 July 2013, he was 88 years old.


Chapter 5
1 UN ECOSOC, ‘Preparatory Committee of the International Conference on Trade and Employment, Committee II, Memorandum by the South African Delegation’, Restricted London E/PC/T/C./14, 26 October 1946.
11 Ibid.
15 GATT doc, ‘New Measures of Import Restriction. Union of South Africa. Note by the Executive Secretary’, RESTRICTED L/8, 21 May 1952.
19 GATT doc, ‘Import Restrictions of the Union of South Africa. Statement by the Minister of Economic Affairs in Regard to further Relaxations of Import Control’, RESTRICTED L/665, 19 August 1957.
21 GATT doc, ‘1959 Consultations under Article XII: 4 (b) with the Union of South Africa. Basic document prepared by the secretariat’, RESTRICTED, 6 March 1959.
23 GATT doc, ‘1961 Consultation under Article XII: 4 (b) with the Union of South Africa. IMF Executive Board Decision at Conclusion of the Consultation between the Fund and the Union of South Africa’, CONFIDENTIAL, 15 March 1961.
Chapter 6

2 GATT doc, ‘Committee of Balance-of-Payments Restrictions. 1964 Consultations under Article XII:4 (b) with the Republic of South Africa’, CONFIDENTIAL Spec (64)95, 8 May 1964.
11 GATT doc, ‘Committee of Balance-of-Payments Restrictions International Monetary Fund Executive Board Decision taken at the Conclusion of the Fund’s Consultation with South Africa on 16 October 1968’, RESTRICTED. Spec(68) 111, 25 October 1968.
Chapter 7


52 Ibid, p. ix.
53 Ibid, p. xii.
56 GATT doc, C/RM/G/37, 3 May 1993, p. 61.
67 Ibid.
Chapter 8
