

GENERAL AGREEMENT ON TARIFFS AND TRADE

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THE NEW CUSTOMS TARIFF OF THE FEDERATION OF RHODESIA AND NYASALAND

Note by the Executive Secretary on the Structure of the Tariff, the Level of Duties and the Margins of Preference

Copies of the new customs tariff of the Federation of Rhodesia and Nyasaland, which entered into force on 1 July 1955, were distributed to contracting parties with document L/381/Add.1. Copies of the tariffs which were previously in force in the three territories - Southern Rhodesia, Northern Rhodesia and Nyasaland - will be available in the office of the secretariat during the Tenth Session.

The new Federal tariff has been supplemented by trade agreements with South Africa and Australia which also entered into force on 1 July. Copies of these agreements were distributed to contracting parties with document L/381/Add.1 and L/394. They replace the agreements previously in force, copies of which were distributed in document L/418, namely the Trade Agreement of 1935 between Southern Rhodesia and South Africa, the Customs Agreement of 1930 between Northern Rhodesia and South Africa, and the Trade Agreement of 1941 between Southern Rhodesia and Australia.

The purpose of this note is to describe the salient features of the new Federal tariff and the principal changes that have been introduced in the level of duties and in the margins of preference. Although this is by no means an exhaustive study, it may assist the CONTRACTING PARTIES in their consideration of the new tariff, as supplemented by the trade agreements, in relation to the report (L/293) which was adopted at their Ninth Session. In that report the representative of Rhodesia and Nyasaland is recorded as having informed the CONTRACTING PARTIES that the Federation, in framing its new tariff, would have due regard to the principles of Article XXIV of the General Agreement.

1. The Customs Territory

The new Federation consists of Southern Rhodesia, Northern Rhodesia and Nyasaland. As far as customs matters are concerned the Federal territory is divided into two parts - the so-called Congo Basin Area (the Conventional Area) and the rest of the Federation (the non-Conventional Area). The Conventional Area comprises the whole of Nyasaland and the North-Eastern part of Northern Rhodesia. The special customs régime of the Conventional Area dates from the Congo Basin Treaty of 1885 which provided for commercial equality for imports from all nations. Therefore, no tariff preferences are granted on the import trade of the Conventional Area, and the duties paid on imported goods which move from one Area to the other are adjusted to take account of the difference in the duties applicable. The non-Conventional Area comprises Southern Rhodesia and the non-Conventional part of Northern Rhodesia, both of which have had preferential arrangements recognized under Article I of the General Agreement.

2. Importance of Trade

The following figures show the value of imports entering the three territories now constituting the Federation:

	Value of Imports in 1953 ¹ (£000,000)
Southern Rhodesia	75
Northern Rhodesia	35
Nyasaland	<u>7</u>
	<u>117</u> =====

The following table shows the sources of imports into the Federation in 1954 compared with the imports of Southern Rhodesia and Northern Rhodesia in a prewar year, 1938. These figures also show the relative importance of most-favoured-nation trade and preferential trade.

SHARES OF TOTAL IMPORTS

	The Federation 1954 %	Southern Rhodesia 1938 %	Northern Rhodesia 1938 %
United Kingdom	42.7	50.1	43.5
Union of South Africa	34.7	14.8	15.8
Australia	1.4	0.8	19.2
Other British Countries	6.8	8.6	
Total British	85.6	74.3	78.5
Foreign Countries	14.4	25.7	21.5
Total Imports	100	100	100

1 Source: Board of Trade Statistical Abstract, 1950-1953. The figures represent approximations, as it is not possible from the information available entirely to eliminate the interterritorial trade. The Nyasaland figure is slightly inflated due to a different method of valuation.

3. The Structure of the New Tariff

The nomenclature of the new tariff derives from the nomenclature of the former tariffs of Southern and Northern Rhodesia with, however, a number of changes.

The duties of the Federal tariff are mostly ad valorem. On some items, especially in Class I (agricultural products, foodstuffs, etc.), where in the old tariffs mainly specific rates were applied, ad valorem duties have been introduced. In other parts of the tariff some new alternative duties (an ad valorem rate and a specific duty, whichever is the greater) have been provided, for example on blankets, clothing, piece goods, enamelware.

The new tariff has four columns - A, B, C and D. Column A contains the rates applicable to imports from countries which do not enjoy most-favoured-nation treatment. None of the former tariffs provided for duties higher than those of its most-favoured-nation column. Column B contains the most-favoured-nation duties including the rates bound under the GATT Schedule. Columns C and D contain the preferential rates of duty; those in Column C are applied to imports from the self-governing countries, formerly called "Dominions", while the (lower) duties of Column D are applicable to imports from the United Kingdom and to most imports from its colonies.

This is the system that was used in the former tariff of Southern Rhodesia, except that the lowest preferential rates were applied to all products of colonies. The new tariff differs from the former tariff of Northern Rhodesia which had only one column of preferential duties. In addition, preferences have been accorded by trade agreements to South Africa and Australia, though these are not shown in the new tariff or in the former territorial tariffs.

It is provided in the Federal tariff that the rates of Column C are applicable to imports from all countries into the Conventional Area. In the former tariff of Northern Rhodesia the rates of the single preferential column were applied to all imports into the Conventional Area of Northern Rhodesia, while Nyasaland had a single column tariff.

4. The Tariff Level

The typical, or standard, most-favoured-nation rates of duty in the new tariff are 5 per cent and 20 per cent. The higher rates are maintained to afford protection or, where there is no domestic production, for revenue purposes. On some important items the rates are $22\frac{1}{2}$ per cent or 25 per cent, and there are a few rates of 30 per cent or more.

The former tariff of Southern Rhodesia was generally higher than that of Northern Rhodesia, and the new tariff appears on the whole to be between the two. Many of the $22\frac{1}{2}$ and 20 per cent duties are on items which were formerly subject to 25 per cent in Southern Rhodesia and 20 per cent in Northern Rhodesia. Some unusually high duties of the Southern Rhodesian tariff have been replaced by the more moderate duties of Northern Rhodesia; e.g. the duty on bicycles is 50 per cent as it was in Northern Rhodesia, whereas the duty in Southern Rhodesia was 100 per cent; and on gramophones the Northern Rhodesian rate of 25 per cent has been retained in preference to the Southern Rhodesian rate of 35 per cent.

The duties formerly applied to imports from all sources into the Conventional Area of Northern Rhodesia were, as mentioned above, those of the single preferential column in the Northern Rhodesian tariff. Under the Federal tariff the Dominion (C) rates are applied. This involves the application of higher rates to the import trade of the Conventional Area of Northern Rhodesia, but this trade is a very small part of the total trade of the Federation.

A comparison with the former Nyasaland tariff is more difficult as the nomenclature and rate structure are different. Some food products which were exempt are now dutiable, but on the other hand some items which were subject to 20 per cent now have lower rates. Ad valorem duties in Nyasaland were levied on a c.i.f. basis, and thus the application of the Federal f.o.b. system involves some reduction in the incidence of the tariff. It may well be, however, that the Column C tariff is higher than the former tariff of Nyasaland.

5. The Preferential Margins

The base dates which fix the maximum preferential margins permitted under Article I are 1 May 1941 for Southern Rhodesia and 10 April 1947 for the non-Conventional Area of Northern Rhodesia. While some margins have now been widened and a few preferences have been extended to an area where previously there was no preference, a comparison of the preferences provided for in the Federal tariff with those of the territorial tariffs in force on the base date shows that many of the margins have been reduced. The Dominions, particularly, have lost many preferences previously enjoyed in Southern Rhodesia by the reduction of the most-favoured-nation rate or the increase of the Dominion rate.

In Columns B, C and D the tendency appears to have been to provide only two rates rather than three, i.e. the Dominions (C) rate is very often the same as either the most-favoured-nation (B) rate or the United Kingdom (D) rate. Thus 20, 20, 10 and 5, Free, Free are standard combinations for ad valorem duties.

The single column of preferential duties in the former tariff of Northern Rhodesia corresponds generally to the United Kingdom (D) column of the Federal tariff, and thus the application of higher duties to imports from the Dominions constitutes a reduction or a withdrawal of the preferences formerly granted to the Dominions.

Another important reduction of preference arises from the application of the Dominions (C) rates of the Federal tariff to certain products imported from the colonies: the list includes clothing, millinery, piece goods, cutlery, enamelware, hardware, footwear, rubber manufactures and stationery.

As indicated in the report adopted at the Ninth Session (L/293) the amendment to the references to Southern Rhodesia in Annexes A and G should be considered by the CONTRACTING PARTIES at the Tenth Session.

6. The Trade Agreement with South Africa

The Governments of Southern Rhodesia and the Union of South Africa reported in L/345 that the Customs Union (Interim) Agreement of 1949 was to be terminated on 1 July 1955 with the entry into force of the new Federal tariff. This renders invalid the Declaration of the CONTRACTING PARTIES of 18 May 1949 whereby the two Governments were entitled to claim the benefits of the provisions of Article XXIV relating to the formation of customs unions. As from 1 July, therefore, the two Governments are bound by the provisions of Article I:4 in respect of the tariff preferences they may accord to one another: the base date for Southern Rhodesia, as mentioned above, is 1 May 1941 and that for South Africa is 1 July 1938. The secretariat has been informed that the preferences in force on those dates were those provided for in the Trade Agreement of 1935, while the preferential régime now in force is determined by the new Trade Agreement which entered into force on 1 July.

The Customs Agreement of 1930 between Northern Rhodesia and South Africa has also been replaced by the Agreement of 1 July 1955. The base date which determines the maximum margins of preference permitted under Article I for Northern Rhodesia is 10 April 1947.

In submitting the new tariff and the new Trade Agreement with South Africa to the CONTRACTING PARTIES (L/381), the Government of the Federation stated that the preferences accorded to the Union under the new Trade Agreement "do not exceed those for which provision is made in Article I". In the same document a letter from the South African Government is reproduced, saying that the preferences accorded to the Federation "do not, on the whole, exceed the preferences in favour of Southern and Northern Rhodesia for the maintenance of which provision is made in Annex A".

Under the 1935 Agreement between South Africa and Southern Rhodesia, most South African products imported into Southern Rhodesia enjoyed the preferential rates applied to United Kingdom goods less 20 per cent. Under the new Agreement most products pay the full United Kingdom (D) rates, although some enjoy a 10 per cent rebate; certain goods are charged rates higher than those applied to imports from the United Kingdom and some of these pay the full Dominions (C) rates. Goods of Southern Rhodesia imported into South Africa under the 1935 Agreement were entitled to the same rates as imports from the United Kingdom less 20 per cent, while a short list of products were exempt from duty, under the new Agreement, a longer list of items is exempted and textile products enjoy free entry or rebates from most-favoured-nation rates, according to the proportion of the factory cost represented by materials produced and labour performed in the Federation, but most products pay the full most-favoured-nation rates of the South African tariff.

Trade between Northern Rhodesia (non-Conventional Area) and South Africa, which was mostly exempt from customs duties under the Customs Agreement of 1930, is now subject to the provisions of the new Agreement.

7. The Trade Agreement with Australia

The Governments of the Federation and Australia, in submitting to the CONTRACTING PARTIES their new Trade Agreement which entered into force on 1 July (L/394), explained that this replaces the Trade Agreement of 1941 between Southern Rhodesia and Australia and also those provisions of the United Kingdom-Australia Trade Agreement of 1932 which related to exchange of tariff preferences between Australia and Northern Rhodesia and Nyasaland. The preferential arrangements under the Agreements of 1941 and 1932 were in force on the base dates established in Article I:4; the base date for Australia is 15 October 1946.

The new Agreement, as well as the 1941 Agreement with Southern Rhodesia, provides for special preferential treatment for certain products. A comparison of the lists attached to the new Agreement with the lists of the 1941 Agreement shows the following. The number of products on which the Federation grants customs exemption when imported from Australia is shorter than under the old Agreement. On a number of products Southern Rhodesia formerly granted rebates ranging from 10 to 50 per cent from the rates applicable to the United Kingdom; these have now been eliminated, but the list of Australian products which enjoy the same rates as the United Kingdom has been lengthened. The principal special advantage granted by Australia under these agreements is a rebate of 9d. per lb. on the British preferential rate on unmanufactured tobacco; under the new Agreement this advantage is extended to all parts of the Federation.

Under the 1932 Agreement with the United Kingdom, Australia granted certain preferential concessions to British colonies including Northern Rhodesia and Nyasaland. Under the new Agreement these concessions are not available to any imports from the Federation. Exports from Australia to the non-Conventional area of Northern Rhodesia are now subject to the Dominions (C) rates in place of the lower preferential rates of the old Northern Rhodesian tariff.