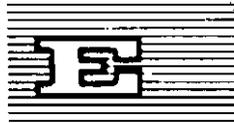


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TRANSIT TRADE

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## TRANSIT TRADE

## 1. GENERAL

In English-speaking countries, the term "goods in transit" refers to those goods which are not intended for home consumption in the country in which they are first imported but pass through it to a neighbouring country for consumption there, or to a port for exportation overseas. Of this traffic, the most important is that passing to and from ports and inland neighbouring countries and this trade may be said to be the economic life-line of those inland countries, since they have no means of world trading except through their more fortunately situated neighbours. Such inland countries are therefore concerned that transit traffic should be properly organized and not be subject to delays or hindrance. Inefficient organization, pilferage, high operational costs through unnecessary handling in the country of transit are of first concern to inland countries. Equally, the imposition of taxes or administrative charges are also of importance since they increase overhead charges to an amount in excess of the actual charges levied. This in turn, raises disproportionately, the price of goods in the country of consumption.

Countries through which goods pass from ports overland or by inland waterways to inland countries, are concerned in two ways:

- (a) beneficially through the income brought by the traffic by way of port and harbour dues, handling and freight charges.
- (b) adversely because of
  - (1) the probability of revenue losses through smuggling and resultant injury to legitimate trade in the articles smuggled, and
  - (2) the non-productive employment of Customs officials in the revenue control of this traffic. To some extent the cost of such employment is covered by small administrative fees levied at the time of importation or exportation.

On balance it is considered that the gain to a coastal country through employment created and wealth received far outweighs any costs incurred through control.

## TRANSIT TRADE TO AND FROM PORTS

### 2. PRESENT PROBLEMS

The problems which arise in connexion with this type of transit trade are mainly in respect of transport by road and rail. These arise through

- (a) absence of effective revenue control points at the frontier on many of the approved routes;
- (b) absence of efficient and safe (from a revenue viewpoint) transport en route e.g. railway vans and lorries capable of being locked and secured;
- (c) termination of railway 80 or more miles from the frontier;
- (d) the practice of transitors to sort goods en route so that goods do not arrive at the Customs check-point 'to entry';
- (e) Dependence upon landing certificates which from experience, can be prepared in advance and at times are merely rubber stamped by the officers of the inland country.

In Nigeria, transitors give a receipt on the entry for goods received and by law are held responsible for the due exportation of the relevant consignments. Examination at goodside is, in the absence of invoices, cursory and is in the main external only. This allows:

- (a) substitution of whole cases of high duty goods with others of the same mark and number, packed with local goods, or imported duty free;
- (b) manipulation of contents,

from a Customs viewpoint, and it is therefore essential that better control should be exercised over this transit trade.

### 3. SUGGESTIONS

The ideal would be for vehicles, road or rail, to be satisfactorily secured at port and remain so till destination. With present stage of development, this is impossible since lorries are not suitably constructed and railways do not reach the frontier let alone cross into neighbouring countries. Also vested interests and local customs are hard to alter. In Nigeria traffic for Chad, for example, is sorted in Kano or Jos, taken by lorry through Maiduguri to Gaborou, where much of it is later off-loaded into canoes. Losses are high and smuggling into both countries takes place. The prevention of such losses is therefore of concern to all parties. This can only come through a change in local and traditional practice.

One method of transporting goods in transit, particularly goods imported from overseas, is the extended use of lift vans and vehicles or rail trucks specially designed to take them. The goods could be "shipped" in these vans, or loaded into them at quayside. Such vans which are already coming into use for home consumption goods in Nigeria, would be the answer to our major transit problems. They would also remove the possibility of pilferage, provided they were structurally secure and would benefit the importing country. Delays through resorting would be obviated, and a great deal of administrative difficulties at check-point of exit would be avoided. In the absence of specially constructed lorries and railways that cross the frontier, lift vans are the positive answer and for this reason, this recommendation is considered to be of first importance.

Other suggestion which would also streamline procedure and improve procedure are:-

- (a) Effective customs check-points at the frontier on all main routes and "postes juxtaposées" if possible.
- (b) Common documentation - English and French.
- (c) Abolition of administrative charges for goods imported by sea.

- (d) Copy duty document for relevant consignments to be sent by coastal country. This would imply the abolition of permission to sort.
- (e) External examination only where goods are transported under lock, seal or other secure method.
- (f) Normal customs examination and production of invoices where transport is not secure from a revenue viewpoint.

Adequate public notice to be given of this requirement.

This traffic might also be controlled by warehousing and exportation duty free from warehouse. To avoid criticism and possible diversion of transit traffic from one coastal country to another, undertakings should be given that this procedure will be uniform in all countries.

Land Traffic, i.e. traffic passing through a country from one neighbouring country to another.

4. Except in respect of commodities passing through Dahomey and Togo, between Ghana and Nigeria, Nigeria has little traffic of this kind. However, the same principles should apply to this trade as for that from ports and to inland countries. There is however one difference which might be mentioned, and the transit traffic through Dahomey/Togo is an example. Much of the traffic is carried in vehicles owned by Nigerians or Ghanaians. No economic benefit of any kind, therefore, accrues to Dahomey or Togo. In fact this traffic is a liability since it occasions wear and tear on roads, and the administrative overheads of Customs control. In addition, there is real risk of smuggling for reasons given in Section 1. A case can therefore be made out for administrative fees to be levied on this traffic as undesirable as this may be. Such fees however, should be left as small as possible.

Most of the inter-regional road traffic is by Mammy wagons carrying both goods and passengers. Many of the goods belong to the passengers (traders) and are treated in much the same way as baggage.

Such goods are not normally allowed to pass in transit duty free. Difficulties of control arise through:

- (a) Absence of effective documentation in respect of goods carried;
- (b) non-uniformity of vehicle construction;
- (c) illiteracy of traders.

#### 5. SUGGESTIONS

- (a) Reduction in unloading points by setting up Common Customs stations and the securing of vehicles.
- (b) Lorry manifests certified by Customs of exit country.
- (c) Common documentation and uniform controls if possible.
- (d) Approval and licensing by relevant Customs Administration of vehicles used in international trade with possibility of bond (e.g. "bonded carmen").

#### 6. ILLICIT TRANSIT TRAFFIC

Mention must be made of contraband traffic passing through a country (or originating in that country) encouraged by large duty differentials. An illustration is the alcoholic beverages and cigarettes passing through (and also originating in) Dahomey to Nigeria.

#### 7. PROPOSALS

This problem can only be resolved by close liaison between the Customs Administrations of the countries concerned and a levelling of tariff rates on the commodities commonly smuggled. Internal inspection of vehicles in the transit countries particularly in frontier zones would also assist with the carrying of high duty goods limited to specially licensed and approved vehicles.

### EXPORTS

8. Problems: In considering the problems of transit trade, those arising when an inland country's produce is exported through a

neighbouring country cannot be overlooked. Here the difficulties are largely those of identification, particularly if the same kind of produce is grown on both sides of the frontier. Farmers within reasonable distance of the frontier tend to sell goods to the highest bidder and if, therefore, prices are higher in neighbouring countries, those goods will be sold there. Thus groundnuts grown in Northern Nigeria may be smuggled into Niger if higher prices are ruling there. These groundnuts are subsequently exported through Nigeria and being supported by a high certificate of origin, pay no Nigerian export duties. Nigeria thus loses foreign exchange on the nuts and Customs revenue. Absence of border stations, an inability to exercise effective control over frontiers which are capable of being crossed at any point by camel, donkey or lorry, and fraudulent documentation with or without the connivance of Customs or other government officers, are factors which lead to revenue losses!

9. Suggestion: Many of the improvements suggested in Paras 3 and 5, particularly 5(a) - (d) are relevant. Close consultation and agreements between governments to fix level prices in respect of each kind of produce grown on both sides of a frontier and to agree to level export duties are important if smuggling is to be checked.

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