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PROGRESS REPORT ON REGIONAL CUSTOMS SURVEY

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I. INTRODUCTION

1. It is clear from the outset of any study of the means of developing the economies of African countries that the attainment of policy objectives will in most cases be dependent on the solution of the large number of fundamental technical and administrative problems involved. Not the least of these is the problem of overcoming the numerous technical difficulties to be found in the field of customs taxation and administration. Whatever line of action is needed to bring prosperity and better living standards to African countries, whether it be in the form of development measures in the public sector, industrialization in the private sector, expansion of intra-African trade or measures for economic integration, certain technical or administrative customs problems will be encountered at some stage of the process. For example, the raising of customs revenue is one of the determining factors in the development plans of most African countries and this poses problems of devising a suitable customs tariff policy and maintaining or creating an adequate customs organization to implement it and to safeguard the revenue yield. This may be particularly difficult in countries which formed part of larger political units during the colonial era and suddenly had to fend for themselves in some of these matters on attaining independence.^{1/} A similar situation will prevail in the component territories of a larger economic unit^{2/} when the dissolution of such unit takes place. In the same way, a policy of industrial development can present real problems in those African countries which are unfamiliar with such matters as the proper weighting of tariff protection for infant industries and the extent of other incentives needed in the way of customs rebates and drawbacks.

^{1/} E.g. Upper Volta, Niger, Mali.

^{2/} E.g. Northern Rhodesia and Nyasaland, Rwanda and Burundi

2. But the fiscal and protective difficulties quoted above are by no means insurmountable as they can be tackled at the national level from the internal resources of the countries concerned, with perhaps a certain amount of outside assistance specially engaged for that purpose. The real difficulty lies in solving the serious technical customs problems of standardization, harmonization and simplification of tariffs, systems and procedures which are inherent in any measures for trade expansion and closer economic cooperation between African countries. The solution of these involves much consultation and negotiations at the International level, and the conflicting interests of the various countries can often make it difficult for them to reach agreements on the necessary measures. Even when agreement has been reached, individual countries may find it difficult for various practical reasons to implement the decisions made without some form of outside assistance.

3. As to the nature of the problems encountered in this direction, the very proliferation of the customs areas, old and new, is a serious handicap to measures for liberalization of intra-African trade or formation of economic groupings. There are some 35 separate customs areas in Africa and 4 more territories integrated with the metropolitan powers. There is of course an even greater number of separate political units, and this is important because, in spite of the existence of five customs unions agreements in Africa^{1/} membership of such a union has not in every case meant the entire removal of customs barriers between the members concerned. In certain instances, a gradual disparity in the rates of indirect taxation has crept in and thus begun to erode the uniformity of the system of import charges.^{2/} In others, the existence of what may be called "invisible" tariffs^{3/} has sometimes proved more irksome to officials and traders than the application of customs duties themselves.

^{1/} Customs Union of West African State, Equatorial Customs Union, East African Common Market, Rwanda/Burundi Customs Union, (shortly to dissolved), and the High Commission Territories. The Ghana/Upper Volta and Ghana/Niger Customs Agreements.

^{2/} As in the Customs Union of West African States.

^{3/} Such as the collection of statistical information, Ghana/Upper Volta border.

4. The resulting pattern is therefore one of a large number of separate economic units most of which are small in terms of population and national income. Thus any attempts by them to rid themselves of the dependence of their foreign trade mainly on an exchange of primary products for imported foreign goods, immediately encounter difficulties on account of the smallness of each domestic market for locally manufactured goods and the numerous customs barriers standing in the way of expansion of such market to other African territories. All this is of course well known to the governments concerned and indeed there has been no lack of suggestions and resolutions for harmonization and integration of customs systems in order to overcome this difficulty, but usually the technical customs problems have proved so formidable that little progress has been made so far in this direction.

5. The need for action to resolve this apparent deadlock has been realized by the Economic Commission for Africa for some time past. It was at the third session of the Commission that special attention was first paid to the matter as a result of a recommendation by an ad hoc committee of African Government Representatives that first priority should be accorded to studies of the prospects and problems of intra-African trade and in particular those connected with customs administration and related fields.^{1/} Under Resolution 28 (III), the Commission decided to set up the Standing Committee on Trade and authorized the Executive Secretary to constitute working parties to consider the special problems of the various sub-regions. The Working Party on Customs Administration in West Africa was the first to be constituted under this resolution.

6. The first phase of the regional survey of customs problems may therefore be said to have commenced with the study of West African tariffs and customs systems to provide material for this Working Party. Pending the first meeting of the Standing Committee on Trade at which its work programme would be laid down, the Secretariat felt that the customs problems in that area were so pressing that it would be justified in initiating some technical work in this direction on the lines suggested by the

^{1/} E/CN.14/100, paragraph 57

resolution. It also considered that, without prejudice to the Committee's decisions, the above mentioned Working Party might be convened.

7. The results of this first phase of the survey were submitted in the form of a paper^{1/} to the Working Party which met in Dakar in 1961 and the Party's Report^{2/} was presented to the first session of the Committee last year. Since this material has already been examined at the last meeting, it is not proposed to repeat it in detail, but it seems advisable to recapitulate later in broad outline the nature of the customs problems revealed and the measures recommended by the Working Party to deal with them, in order to report on progress made.

8. The next phase of the survey was undertaken this year with the extension of the work to the Eastern African sub-region. For this purpose a questionnaire similar to that circulated to West African countries in 1961,^{3/} but modified and improved in the light of this previous experience was sent to the following countries: Ethiopia, Somalia, the Sudan, Kenya, Tanganyika, Uganda, Zanzibar, Rhodesia/Nyasaland, Bechuanaland, Mozambique, Rwanda, Burundi, Madagascar and French Somaliland. In order to personally identify customs problems relating to the economic and industrial development and trade expansion of the countries concerned as well as to examine the facilities for training of customs personnel, the Regional Customs Adviser to the Secretariat of the Commission visited eight of the above countries during May and June and interviewed a large number of officials and traders in them. Replies to the above questionnaire have been received from all of the above countries except Somalia, Mozambique, Rwanda and Madagascar, and some of the problems revealed and the measures needed to overcome them are described in part II. It is hoped that this phase of the survey will be completed by the end of the year, but the necessary follow-up of recommendations to deal with certain situations revealed will, as in West Africa, extend over a considerable period.

^{1/} E/CN.14/STC-WPCA.1.

^{2/} E/CN.14/138.

^{3/} E/CN.14/STC-WPCA.1, Annex I

II. PROBLEMS REVEALED AND PROGRESS IN SOLVING THEM

(a) The West African Survey 1961-62

9. Since the customs situation in West Africa has already been described at considerable length and examined by the Standing Committee on Trade at its first session,^{1/} it will suffice here to repeat the main problems in broad outline only, and to describe the action since taken to deal with them.

10. Broadly speaking, there are four main customs objectives to be borne in mind: these are, first, to maintain and safeguard the revenue derived from indirect taxation which is collected by the customs administrations at the level which is sufficient to finance the recurrent and development expenditure of the countries concerned; second, to frame and administer the necessary incentives to industrial development in each country in the way of protective duties, drawbacks and rebates; third, to study the customs issues involved in the formation of a West African economic grouping, so as to be in a position to advise on the form of such a grouping and to solve the practical customs problems which are likely to arise on its introduction; fourth, pending this development, to use every means possible to achieve standardization, harmonization and simplification of customs tariffs, systems and procedures in the area. These objectives are given in their logical sequence because industrial development is the next step towards reducing the dependence of these countries on revenue from customs duties, whilst the formation of bigger markets through economic integration is an essential factor for balanced and viable industrial development in the area. But since the possibility of forming such a grouping is still somewhat remote, action at the international level must be concentrated mainly on the last of the above four objectives for the time being. It was therefore with the methods of the achievement that the 1961 Working Party was mostly concerned. These aims were the most realistic and the most likely to produce results in the existing circumstances.

^{1/}E/CN.14/STC-WPCA.1.

11. The Secretariat and eventually the Working Party examined the tariffs and customs systems of the entire sub-region, with particular reference to tariff nomenclatures, rates of duties and other import charges, preferential arrangements then in force, and the organization of the various national customs administrations. The main points arising from the survey are summarized below.

Harmonization of Tariff Nomenclature

12. Three different types of nomenclature are in existence in West Africa: those based on the Brussels Nomenclature of 1955 in 14 French-speaking countries; the British-inspired tariffs of Nigeria, Ghana, Sierra Leone and Gambia; and the United States-inspired tariff of Liberia. The second type is a short unsystematic alphabetical product list and is thus most unsuitable for countries embarking on programmes of industrialization. This type may have been suitable for a purely fiscal type of tariff, but when an element of protection has to be introduced the result is a perpetual series of piecemeal additions to a structure which is fundamentally unsuited to such a process. The second disadvantage of such a tariff is its inadequacy for the conduct of tariff or trade negotiations with outside countries. Lastly, it is obvious that this type of tariff would be completely out of place in any form of economic grouping which might be contemplated in that area. The third type of tariff is unique in the area, in itself a disadvantage. Though more or less systematic, it lacks the completeness and precision of a modern tariff instrument.

13. The Working Party recommended that those countries which had not yet adopted the Brussels Nomenclature should use it as the basis of their tariffs and carry out the necessary conversion on the understanding that some of the Brussels headings might be merged to meet the requirements of each particular country. It was felt that by this means the operation of the rather sophisticated form of the Brussels Nomenclature would be simplified to some extent.

14. The conversion of a "simple" tariff to the Brussels Nomenclature is no easy matter. Special staff must be detailed to work full-time on

such a project for a period of several months. Qualified staff for this purpose is not often forthcoming in developing countries, hence the offer of the Customs Co-operation Council in Brussels to assist with the transposition of the Nigerian tariff was particularly welcome. After successfully piloting this work through the initial difficulties, the CCC handed over the remainder of it to the Nigerian customs administration and conversion has recently been completed. It is expected that Nigeria will introduce its new Brussels-type tariff early next year, at which time only 4 out of the 19 West African countries will not yet have adopted the Brussels Nomenclature. There is no lack of interest in this project among these 4 countries, but the practical difficulties involved have prevented them thus far from implementing the recommendations of the Working Party. Rather than delay the operation any longer through lack of its own staff to handle it, Liberia has recently sought the help of the United Nations Technical Assistance Board in provision of an outside expert to undertake this revision. It remains to be seen what course the Gambia will follow as a result of the United Nations Mission which is now examining the possibility of some form of economic integration with Senegal. If this were to take place, uniformity of tariff nomenclature may well be a prerequisite, and the automatic adoption of a Brussels-type tariff in the Gambia may then follow.

15. There is no doubt that full standardization of tariff nomenclatures in all West African countries is not only an essential factor in any process of balanced industrial development but it will also be an important contribution to the expansion of trade within the sub-region. The existence of a slightly abbreviated or simplified form of Brussels-type tariff in Nigeria may perhaps prove to be of considerable benefit to the remaining countries where it can serve as a model for their own conversions. It seems only a matter of time now before the 4 remaining countries come into line with the other 19 West African countries which have already decided in favour of the Brussels Nomenclature. Also, instruction in the characteristics and use of the Brussels Nomenclature which has formed an important part of the syllabus in the two ECA Customs Training Courses

in West Africa, has contributed towards the smooth and successful attainment of complete standardization. The achievement of this goal should be greatly helped by the provision of customs advisory staff at the new sub-regional office of the ECA at Niamey.

Harmonization of Valuation Procedures

16. It was found that there were no major differences in customs valuation practices in West Africa the tendency being to follow the Brussels Definition of Value. Although the need for standardization is less pressing here than in the case of tariff nomenclatures, it is equally desirable to set a common objective, bearing in mind the importance of a standard valuation procedure in the development of any form of economic grouping. It is also essential to have a valuation system which does not lay itself open to evasion or fraud and for this purpose a sound common procedure is of advantage. The Working Party therefore agreed on the desirability of all West African countries adopting the Brussels Definition at the earliest opportunity.

17. So long as all the countries follow this definition in principle, the formal accession of them to the Brussels Convention, though desirable, is not something which demands their immediate attention. Nevertheless, it is possible to report that one country, Nigeria, has in fact taken steps to become a member of the Customs Co-operation Council as a result of which it will be obliged to adopt formally the Brussels Definition. Moreover, the last West African country to follow a different system of valuation, namely Liberia, which previously used the domestic value of goods in the country of production as the basis of its procedure, has recently changed over to a system based on the "normal" value of goods which closely follows the Brussels Definition. This satisfactory development now means that customs valuation has been virtually standardized throughout the sub-region.

Harmonization of Legislation

18. In general, the customs legislation in West African countries reflects the influence of the legislation of the two former metropolitan powers,

Britain and France, except for Liberia which has some United States and British influence, so again there are the same main gaps to be bridged. There is no international instrument which can be invoked here to cover general customs operations, as in the case of nomenclatures and valuation. There do exist however a few international conventions on customs subjects, but most of these deal with matters which are as yet of comparatively minor importance to developing countries.^{1/} Probably the only one of immediate interest to them is the international convention for the transport of goods by road, known as the TIR Convention. But the Customs Co-operation Council is also drawing up customs standards in the form of some very valuable comparative studies on methods which can contribute to a progressive harmonization of laws when any changes (of them) are made in the future.

19. There has been insufficient time so far in a survey of this nature to include an analytical study of all the customs legislation in Africa to discover, for example, where the main differences or points of conflict lie. It has to be realized, however, that legislation reflects policy and until policies are harmonized it is difficult to bring the customs laws of the various countries into line with each other.

20. This does not mean however that there are not any promising lines of action in this direction. There was general agreement among the Working Party that the subject of movements in transit constituted a very special problem in West Africa on account of the appearance of new inland political units and the irregularity of the means of transport, and it was pointed out that the provisions of international agreements on transit are accepted in principle by all the countries of the sub-region. In view of this, it was recommended that ECA should convene a group of experts to study the problem of transit, together with the technical and economic questions raised by the various modes of transport, to prepare a draft convention on transit for the consideration of all countries of the sub-region and to recommend appropriate systems.

^{1/} Such as commercial samples, packaging, professional and exhibitionary materials, temporary import of vehicles and aircraft.

21. Accordingly, the Secretariat made a detailed inquiry into the subject on the basis of a questionnaire,^{1/} sent to all West African countries, the results of which were presented in a document^{2/} to provide the material for the Expert Panel on Transit Traffic which met at Accra last December. The Report of this body, presented to the fifth session of the Commission^{3/} contained a series of valuable recommendations to governments. These, if accepted in toto, would so rationalize and simplify the procedure for movements in transit that inland countries would benefit considerably from the freer flow of goods over their borders and the consequent potential expansion of their trade both with foreign countries and other West Africa countries. At the same time the revenue security interests of the intervening countries would be adequately safeguarded.

22. The adoption and implementation of these recommendations now rests with the governments concerned. Some steps can be taken unilaterally, whilst in other cases, further bilateral or multilateral consultation is necessary. One recommendation in particular involves a study of the means of adopting a modified TIR convention for further consideration by a working party of representatives of chambers of commerce, road transporters and customs administrations. And at least one country^{4/} has started to tackle this problem on a national scale. It should be remembered however that the solution of these problems is closely connected with the improvement of communications and methods of transport over many of the frontiers, and that the success and security of transit operations depend on a proper and efficient form of frontier control; consequently progress in these directions should run concurrently with any arrangements for improved systems of transit. Much remains to be done in the adoption of the recommendations but it is believed that the resources of the proposed sub-regional office of ECA at Niamey will be of some assistance to governments in this direction.

1/ E/CN.14/STC/TTWA/1, Annex II.

2/ E/CN.14/STC/TTWA/1 and ADD.1

3/ E/CN.14/206

4/ Nigeria has taken the first steps towards obtaining the views of these bodies.

Harmonization of Tariff Policy

23. No survey of customs problems would be complete without a reference to the considerable, although lately somewhat diminishing differences between the price level of imported goods in the various countries of West Africa and in particular between those of the franc zone and the sterling area, which result from variations in the incidence of import taxes and application of quantitative restrictions to cheaper sources of supply. The latter provide such a tremendous incentive to smuggling that they can seriously affect economic development and even jeopardize the future of industrialization. Although these are matters of fiscal and commercial policy, they are of direct concern to customs administrations. The opportunity must therefore be taken on every possible occasion to reemphasize the need for progressive harmonization of rates of duty and import taxes not only to counteract this situation, and so permit the maintenance of relatively liberal practices in overland trade, but also to work towards a situation where the advantages of a common market can be enjoyed without even resorting to actual political union.^{1/} There are policy matters which rest with the governments concerned but the Secretariat of ECA hopes to assist their progress in this direction through the formation of a further working party to be convened under the auspices of the Standing Committee on Trade. In the meantime, there is evidence of the interest of some governments in this matter in the form of certain unilateral and bilateral decisions which have been taken with closer harmonization in view.^{2/}

Co-operation between Customs Administrations

24. The extreme political fragmentation of West Africa, and particularly the emergence of several independent inland states has resulted in additional customs operations along newly-formed frontiers and thus placed a new emphasis on a largely unfamiliar form of customs procedure, the clearance of imports and exports by land. This points to the need for increased cooperation between the customs administrations of the area, and the Working Party devoted three of its recommendations to the subject.

^{1/} As for example among the three politically separate territories of Kenya, Tanganyika and Uganda.

^{2/} Decreases in import taxes on certain items in Dahomey, Niger, Upper Volta and changes in Nigerian, Ghanaian and Togolese tariffs.

The first was that a further working party be formed to deal with the question of frontier traffic^{1/} by examining regulations and definitions, including approved routes, which would facilitate the control of such traffic without imposing undue hardship on the populations concerned.

25. The second recommendation, dealing with the question of bilateral co-operation in this area, proposed that the various customs administrations exchange information directly with one another on smuggling and fraud, and that individual countries draw up agreements to provide reciprocal administrative assistance. Since the secretariats of the Customs Union of West African States and the Equatorial Customs Union had already provided the facilities for implementing this recommendation in the French-speaking countries, it was presumably directed mainly towards cooperation between neighbouring French-and English-speaking countries.

26. It is possible to report some notable progress in this direction. For example, negotiations are in progress between Nigeria, on the one hand, and Dahomey, Niger, Chad and Cameroun, on the other. A convention has already been signed between Nigeria and Dahomey relating to common frontier control posts and the architects plans for the construction of the first of these posts have been drawn up. Under this convention the customs officials of both countries will inter alia give all possible assistance to each other for the orderly and rapid conduct of their respective controls and will undertake official investigations on behalf of each other.^{2/} It is hoped that further conventions of this nature between Nigeria and the other countries mentioned above will shortly materialize. The negotiations involved in the framing of these conventions will no doubt forge valuable links between the respective customs administrations and thus lead to arrangements for the mutual exchange of information and reciprocal assistance at headquarters level.

27. The last of these recommendations was to the effect that a permanent body be set up to deal with the whole question of relations between customs

^{1/} The term here has a twofold meaning: personal trading among populations living in frontier areas and petty commercial trading.

^{2/} Article 25.

administrations in West Africa, on the understanding that it does not duplicate the work of any existing body. It is intended to actively pursue this matter from the sub regional office of ECA at Niamey.

Training

28. At quite an early stage in the survey it was found that personnel problems were looming large among the difficulties facing West African customs administrations. These were mainly of two kinds: shortage of staff and lack of training. There was an urgent need for a solution of the problem of vocational training for customs personnel but the means of solving it was not readily apparent. There is in West Africa no customs training college in the real sense. It is true that a few countries have systematic training programmes and organize their own basic training courses. But many others, not having their own facilities, still have to rely on training abroad and staff considerations are inclined to make this a slow process. A short period of in-service training has to take the place of separate basic training until such time as the staff can be spared and the vacancies abroad exist. Moreover, there are few opportunities for improving the skill of the more senior staff and providing the type of advanced training needed to prepare them for top posts.

29. Realizing it to be an essential first step to all reforms, the Secretariat gave priority, in the area of technical assistance, to customs training and submitted a project to the Working Party for organization of courses.^{1/} A twofold recommendation emerged as a result of this to the effect that courses for English-speaking officers with higher educational qualifications should be introduced by the ECA in cooperation with the Nigerian Government, and that the basic courses already being held in Nigeria be made available to those other English-speaking countries in West Africa which had not yet established their own training schemes. There was no recommendation on training in the French-speaking countries since these preferred to continue sending their officials to the customs training college at Neuilly (near Paris).

^{1/} E/CN.14/WPCA.4.

30. A brief report on the first ECA Customs Training Course for English-speaking West African customs officials, held at Lagos in October and November, 1962, was presented at the first session of the Standing Committee on Trade ^{1/} and a full report was submitted to the fifth session of the Commission.^{2/} Seventeen trainees from four countries attended and the syllabus was designed to increase technical proficiency in all fields of customs activity. A second ECA course has recently been completed at the University of Ibadan in September 1963 and is the subject and separate report for presentation to the second session of the Standing Committee on Trade.^{3/} Based on the experience gained last year, the latest syllabus was more advanced, being mainly concerned with general principles of customs taxation policy and departmental organization, but a number of important technical subjects were retained and three of the main subjects were treated as seminars. Nineteen trainees from five countries participated.

31. The value of the opportunity which these courses present for the exchange of ideas on customs matters among West African officials, cannot be overestimated. They also contribute to a feeling of economic solidarity among the countries of the sub-region, and may be regarded as a step in the direction of African unity and economic integration.

^{1/} E/CN.14/STC/15

^{2/} E/CN.14/226

^{3/} E/CN.14/STC/...

(b) The Eastern African Survey 1963

Geographical, Political and Economic Factors

32. For the purpose of this paper, Eastern Africa includes the countries mentioned in paragraph 8. Up to the time of writing, the customs survey of this area is incomplete as it has only been possible to cover 8 of the 14 territories previously named. Moreover, it is a subject which would justify much wider treatment than is possible within the time and space available. Its scope must be limited here by the need to view it in a regional prospective.

33. The most striking feature of the area is the small number of its political units. Practically the whole of this vast area is taken up by the seven large units of the Sudan, Ethiopia, Somalia^{1/}, East Africa, Rhodesia/Nyasaland, Mozambique and Madagascar, but changes in the political picture are due to take place in the near future with the dissolution of one federation^{2/} and the proposed formation of another.^{3/} From the long term view, of the proposed East African Federation to create an even greater economic unit by including of its northern and southern neighbours has recently been mooted. In contrast with the West African area, many of the national frontiers coincide roughly with geographical features. Sometimes these consist of formidable natural barriers and the consequent difficulties in maintaining adequate communications tend to inhibit the expansion of sub-regional trade in these areas, but in other cases natural features have the reverse effect by providing a convenient means of communication, as for example the Great Lakes.

34. The population of the area is approximately 72 million and the economic structure is mainly one of subsistence agriculture with very uneven development in the money economy. Foreign trade plays an important role

^{1/} Though large in size, Somalia is small in terms of population.

^{2/} Rhodesia and Nyasaland.

^{3/} Kenya, Uganda, Tanganyika and possibly Zanzibar.

in most of the countries, but the proportion of intra-African trade to total trade is very small. The main channels of foreign trade are those of the many Commonwealth countries and the Sudan with the United Kingdom; of Ethiopia with Italy Japan and the United States; of Mozambique with Portugal and of Madagascar with France. The Federation of Rhodesia and Nyasaland also has a considerable trade link with South Africa.

35. In some cases, the movement of goods in transit through neighbouring countries features more largely than the inter-territorial trade between them.^{1/} On the other hand, certain countries^{2/} function as quite important entrepôts for the distribution of goods amongst their neighbours.

36. These movements in transit are often of vital importance to the country of origin or destination. Rhodesia/Nyasaland depends for its very existence on the transit of its copper, tobacco, tea and cotton to seaports through neighbouring countries. At present, this traffic is mainly routed through Mozambique via the port of Beira, but there is an alternative route through the Congo and Angola. A rail link is also being considered between Northern Rhodesia and Tanganyika but the terrain in the Northern federation section is very difficult and the difference in gauges presents a technical problem. However, a survey of the route has commenced. There already exists a scheduled weekly road transport service between Northern Rhodesia and Kenya which also provides a road rail transit link with Dar es Salaam by connecting with the Tanganyika Central Line. There is an alternative road/water/rail link, via Lake Tanganyika, but this would be a long and expensive haul.

37. There is a busy rail road transit link between the ports of Mombasa and Dar es Salaam on the one hand and the Congo, Rwanda and Burundi on the other. For the handling of transit traffic with the Congo, Belgium has for many years maintained a customs-free base at Dar es Salaam and another at Kinshasa on Lake Tanganyika. An Anglo-Belgian Convention of

^{1/} As for example the movements through Mozambique to and from Rhodesia and Nyasaland.

^{2/} Such as Kenya and Uganda.

1921 which guaranteed freedom of transit and made other concessions has been replaced by a new agreement under which a Four-Power Commission representing Tanganyika, the Congo, Rwanda and Burundi will administer the port sites at Dar es Salaam and Kigoma. The terms of the new convention regarding customs matters are thought to be largely unchanged and the same freedom of transit to be assured. Although initialled, its ratification awaits settlement of the question of compensation; meanwhile its actual terms remain secret.

38. Transit traffic between Mombasa and the Orientale province of the Congo moves to Kampala or Kasese in Uganda by rail and thence by road to various border crossing point. In this manner, goods from bonded stocks in Kampala^{1/} have been despatched as far as Stanleyville. But the smuggling of duty-unpaid goods^{2/} back into East Africa has reached such large proportions that the government recently prohibited the export by land of any goods, ^{3/} ex bond or under drawback. This has now limited the transit trade to a few genuine consignments moving directly from overseas via Mombasa to the Congo, Rwanda or Burundi, but after an initial setback, movements from the Kenya and Uganda entrepots have been resumed in the form of duty-paid goods.^{4/}

39. This traffic, which plays such an important part in the trade of the sub-region is already highly developed and few of the technical customs difficulties confronting the West African sub-region are present here, except along the borders of the Congo. Since most movement is direct and in bulk by locked containers, there is usually adequate customs security

^{1/} Such as petroleum products from bonded installations.

^{2/} Mostly liquors, petroleum products and piece goods.

^{3/} Except petroleum in bulk

^{4/} However, the traditional source of supply for petroleum products, along the eastern shores of Lakes Albert and Tanganyika is still from duty-unpaid stocks on the other sides of those lakes.

and delay to traders is consequently reduced to a minimum.^{1/} No customs charge is levied on transit goods in this area.^{2/}

40. There are, however, certain aspects of the transit trade of the Congo, Rwanda and Burundi via East Africa which are causing some concern to the governments concerned. The difficulties in this connexion seem to stem largely from the weakness of the Congolese franc. One aspect in particular is the large quantity ^{3/} of coffee which is being smuggled from the above countries into Uganda and Tanganyika as "head" traffic. East Africa objects to these movements as they erode its quota under the International Coffee Agreement and lower the reputation of its coffee. Thus they are accepted by buying centres, but segregated as foreign coffee in transit. This has the effect of encouraging rather than discouraging the traffic. The smuggled coffee is sold for East African shillings or bartered for goods in preference to the normal method of sale to a Congolese dealer, involving payment of export duty, or to the marketing boards in Rwanda and Burundi for legitimate export.^{4/} In the same way, tin ore from Rwanda is illegally moved to Uganda, where it is sold and then treated as Uganda tin, thus bringing royalties to the East African government. All this illegal movement results in very large losses of foreign exchange to the Congo, Rwanda and Burundi.

41. The smuggling of duty-unpaid East African goods from the Congo back into Uganda and Tanganyika^{5/} was likewise a potential threat to East African customs revenue until the Government took the drastic step of insisting

^{1/} E.g. Rhodesia/Nyasaland traders can, if they so wish, pre-pay the duty on their goods at Beira, so that they can be sent straight to their destination in Rhodesia/Nyasaland without further formalities.

^{2/} Except on movements through Ethiopia from the Red Sea to eastern parts of the Sudan, and vice versa, on which a transit fee of 1½% ad valorem is payable.

^{3/} Estimated at 40,000 bags a year.

^{4/} With the unofficial rate of exchange fluctuating from 30 to 50 Congolese francs to the East African shilling, payment at the official rate of 9 francs is clearly uneconomical.

^{5/} See paragraph 38 above.

on the payment of duty for most of this entrepot trade, which is also transit movement in the wider sense. This prohibition will no doubt remain in force until frontier control can be made sufficiently effective for the reliability of landing certificates to go unquestioned. Meanwhile, such situations will continue to inhibit expansion of the trade of East Africa and Northern Rhodesia with the Congo, prospects of which would otherwise be quite favourable.

Customs Administration

42. A very favourable geographical situation exists here, in that only eight mainland customs areas are at present to be found in the whole area. There has so far been no political fragmentation and consequent formation of newly independent customs administrations, as in West Africa.^{1/} On the contrary, the large customs areas on the eastern side of the continent have been in their present cohesive state for some time,^{2/} and this has enabled them to evolve stable and for the most part efficient customs organizations. A high degree of development has been reached in the operation of most customs techniques and it cannot be said that there are serious technical and administrative customs problems in the way of expanding the inter-territorial trade of most of the area. In fact, the existence of the large common markets of Kenya, Uganda and Tanganyika; of Nyasaland, Northern and Southern Rhodesia; and the large domestic markets of the Sudan and Ethiopia provide a very favourable climate for the expansion of such trade, particularly if progress can be made in harmonization of tariff policies, preferential arrangements or modification or expansion of existing forms of economic integration.

43. Political development are, however, giving, or are likely to give, rise to certain practical difficulties in the near future. One problem will be the need to form separate customs administrations in both Northern Rhodesia and Nyasaland on dissolution of the Federation, involving the creation of new headquarters organization in each case, with consequent

^{1/} The dissolution of the Federation of Rhodesia and Nyasaland will of course be an exception to this.

^{2/} Except Somalia.

difficulty over provision of staff sufficiently qualified for work at this level. Some field staff will also be needed. It is understood that Nyasaland has obtained the services of customs experts to deal with these problems and that Northern Rhodesia is contemplating a similar course. The ECA has also offered its services if organizational or technical difficulties are encountered.

44. Recent political developments in Kenya, Uganda, Tanganyika and Zanzibar have resulted in the departure of a number of expatriate officers, and the policy of Africanization has given prominence to the need for more training of Africans to occupy customs posts in this part of the sub-region. Likewise, the gravitation of some existing personnel to Southern Rhodesia from Northern Rhodesia and Nyasaland may give rise to a similar problem in these territories. Ethiopia is also feeling the need for additional training of staff. Increased facilities will therefore be needed to accelerate the training of African customs personnel in these countries at both the basic and advanced levels. Training facilities in the Federation of Rhodesia and Nyasaland are even now on a very small scale and on dissolution will not be available to Northern Rhodesia and Nyasaland as they have been situated in Southern Rhodesia. Ethiopia at present relies on in-service training and sending small numbers of officials for training abroad in various countries. East Africa has good training facilities at Mombasa and Dar es Salaam, where basic courses are held in the headquarters buildings.

45. The Secretariat is taking an active interest in the problem of training and may be able to introduce a comprehensive programme in the sub-region next year. It is felt that the main requirement at present is for basic customs training (though advanced courses are also contemplated) and the inquiries which have been received from various countries as to the possibility of their sending junior officials to attend other national courses are evidence of the need for such training. The Secretariat is in the process of investigating the practical financial aspects of this programme.

Tariff Nomenclatures.

46. A study of tariff nomenclatures in the sub-region reveals that the position is far from satisfactory from the viewpoints of both industrialization and economic integration. In most cases, these are unsystematic alphabetical product lists compiled piecemeal as the need has arisen in a particular case, but the Ethiopian, East African and Rhodesia/Nyasaland tariffs are all divided into the same main classes on a broad commodity basis. However, the resemblance ceases at this point and the contents of each class becomes an alphabetical list of widely differing products, in some cases extensively sub-divided. There is no connection with either the Brussels or SITC type of tariff.

47. Rhodesia/Nyasaland appreciates the unsuitability of its nomenclature and has already completed the conversion of it to a Brussels type of instrument. The impending dissolution of the federation has however prevented its adoption for the time being. It seems probable that three separate tariffs will be established on dissolution. The need for a modern type of tariff instrument is also appreciated in Nyasaland and Northern Rhodesia but if dissolution is to be speedily effected, there will be insufficient time for their tariffs to be converted in the orderly stages which both traders and customs officials expect. An excellent opportunity would be missed however, if these territories failed to take advantage of these changes by adopting a Brussels type instrument.

48. Similarly, the advent of the Federation of East Africa may also be an opportune time to modernize the East African tariff for federal and international purposes. Moreover, it is believed that the pace of industrialization resulting from political developments in East Africa will involve so many amendments to the tariff that the limit to the piecemeal additions to, and sub-divisions of, the present structure will eventually be reached. Before the whole edifice becomes too complicated and cumbersome, it may be of advantage to forestall this difficulty by introducing a system under which there is unlimited capacity for expansion in a clear-cut systematic and logical manner.

49. Developing countries in the eastern sub-region may on first sight be a little daunted by the comprehensive nature of the Brussels Nomenclature. As in West Africa, the slightly abbreviated and simplified form of the Brussels - type tariff adopted by Nigeria may be useful as model. The ECA has recently been able to provide the East African Common Services Organization with advice on the problem of conversion to a tariff of this sort.

50. There is little doubt that general conversion to the Brussels nomenclature by those countries who have not yet adopted it, would contribute beneficially to the expansion of inter-territorial trade and to the success of any measures for further economic and political integration in the sub-region.

Tariff Rates

51. The main features of the tariffs of the countries covered thus far in the survey are given below.

(i) Ethiopia has a one-line customs tariff with mostly ad valorem rates ranging from 5 per cent to 100 per cent and a number of specific rates applying mostly to high-duty goods and those imported in bulk. There is also a free list and a residual item of 25% ad valorem. The tariff follows the principle of placing lower rates on raw materials and machinery, medium rates on consumer goods and higher rates on luxury goods. Petroleum products pay in lieu of customs duty a highway tax at specific rates.

52. In addition to customs duties, both imported and exported goods are liable to an ad valorem transaction tax based on the value as assessed by customs. A countervailing excise duty is payable, in addition to customs duty and transaction tax, on imports of sugar and certain types of piece goods at various specific rates. There is also an alcohol consumption tax payable, in addition to customs duty and transaction tax, on alcoholic beverages and perfumes at various specific rates. Similarly, a tobacco monopoly tax is levied, in addition to customs duty and transaction tax, on tobacco, matches, cigarette papers and lighters at various specific rates. Lastly, in addition to all the above duties and taxes,

an ad valorem municipality tax on the customs value is collected at the time of importation. The above are all fiscal taxes except for certain protective duties which are to be found in the customs tariff. The tax pattern on imported goods is somewhat complicated as a result, but the existence of an internal transaction tax on both imported and domestic goods is a useful feature which will provide a substitute for the revenue which is lost when locally produced goods replace dutiable imports.

53. (ii) The East African tariff is a single line instrument with five different ad valorem rates and a free list, together with some specifically rated items. The principle of non-discrimination has existed since the Congo Basin Treaties of 1885 and 1890. There is an assisted rate of 12½% ad valorem, a standard rate of 25%, an intermediate rate of 33⅓%, a higher rate of 66⅔% and a maximum rate of 75%. There is a large protective element in the tariff, though customs duties are still a main source of revenue. There are also additional duties on a few agricultural products known as the Suspended Duties which were introduced as a result of disagreement by Uganda and Tanganyika with Kenya's proposals for increased protective rates, the former being unwilling to penalize their consumers to preserve Kenya's protectionist policies. They remain suspended until invoked by any of the three territories and as was expected, Kenya has used them the most. They are the only significant departure from a wholly common tariff for East Africa, but their application has been kept to the minimum. There are no import charges other than customs duties in East Africa at present.

54. (iii) Rhodesia/Nyasaland has a four line tariff with a large protective element, the first line applying to countries which do not grant most-favoured-nation treatment or with whom there is no bilateral or multilateral trade agreement; the second line to GATT Contracting Parties; the third to Commonwealth countries (except the United Kingdom, Malaya and Tanganyika), Commonwealth trusteeship countries, Ireland, South Africa, South West Africa, the High Commission territories and Mozambique; and the fourth line to the United Kingdom, Malaya, Tanganyika, British Colonies, Protectorates and Protected States.

55. Prior to federation, the Congo Basutin Treaties applied to sections of Northern Rhodesia and Nyasaland, but when the federation was formed, they were no longer obliged under them. Now, on dissolution, it is possible that they will have to revert to their obligations under them, and the consequent division of the two countries once more into "conventional" and "non-conventional" areas would impose an additional administrative burden on the customs services.

56. The federal tariff has "standard" revenue rates on consumer goods of 30%, 22½%, 20% and 10%, reading from lines one to four (with some small variations), and "industrial" revenue rates on raw materials, capital goods and basic necessities of 10%, 5%, free, free; or 10%, free, free, free; or free throughout. As a general rule, where rates are increased above these levels, such increases are for protective reasons. Many items are subject to "suspended" duties at rates lower than those of the substantive item and usually intended to meet a particular commercial or industrial need for the time being. There are no import charges other than customs duties.

57. The possibility is that, on dissolution, Southern Rhodesia will re-enact the present federal tariff whilst Northern Rhodesia and Nyasaland will include a series of new rates to meet their own needs and increase their bargaining power. It would be a pity if in their desire for economic self-sufficiency they were to lose sight of the need for as much harmonization of duty rates as possible within the area. It is desirable to avoid incentives for smuggling in an area now relatively free from serious trouble in this direction. There is also the greater need to preserve harmonization of tariff policy in the interests of progress in economic integration towards the ultimate goal of African unity. Deterioration in this matter could possibly be prevented by greater tariff harmonization between East Africa on the one hand and Northern Rhodesia and Nyasaland on the other.

Valuation Procedure

58. For a large part of the area there is a standard method of valuation, based on the Brussels Definition of Value. This is applied almost fully

in East Africa, although the territories are not parties to the Brussels Convention. A similar situation exists in Ethiopia and Zanzibar, except that in the former goods imported via Djibouti are valued at their c.i.f. price at that port.^{1/}

59. But in Rhodesia/Nyasaland, valuation is based on the domestic value in the country of export. This system, a legacy from South African procedure, is not greatly favoured under the modern conception of valuation, but is still retained in a few important countries.^{2/} It is conceded in the Federation, however, that this method may be somewhat outdated and that the Brussels Definition may be preferable. Domestic value is sometimes more difficult to ascertain, may present a greater revenue risk and involves the additional expense of posting investigators at countries of origin.

60. The process of valuation is usually centralized at administrative headquarters, but there are valuation officers in most major ports and value can normally be determined there. Where separate valuation branches do not exist, checks on local valuations are carried out at headquarters.

Incentives to Economic and Industrial Development

61. It is noticeable that in certain countries of the sub-region there is less dependence on indirect taxation than is usual among developing countries. Except in Ethiopia, there is not much tendency for other forms of indirect taxation to supersede customs duties as industrialization progresses. Rather has the proportion of direct taxation increased. Whilst, therefore, customs duties continue to play an important fiscal role, an increasing element of protection has made its appearance in tariffs, and the administrative machinery for dealing with the level of protective duties already exists in a number of countries.

^{1/} Under the terms of the 1961 Railway Agreement

^{2/} One of these, the United States, has just decided to abandon this system.

62. In addition to protection there are other incentives to economic and industrial development in the customs field. The East African tariff affords considerable relief to development goods.^{1/} In addition, relief is afforded to certain approved industries by the refund of duty on imported components used in the manufacture of their products. Drawback is obtainable on exports of locally manufactured excisable goods, or they may be exported duty-free ex bond.

63. In Rhodesia/Nyasaland, a higher stage of industrial development has been reached and consequently there is more emphasis in the tariff on protection of established, rather than infant, industries. Since protection is never a single concept, other concessions are also offered. The "suspended" duties^{2/} amount to a reduction or total removal of the duty on all imports of a particular commodity for the time being, irrespective of their ultimate use. It is necessary to distinguish these from a further type of relief, the so-called "manufacturers' rebates" under which certain approved industries can import their raw materials at reduced rates or duty-free. The former concessions cause no administrative difficulty, but the latter have to be investigated and policed by the customs, resulting in much additional work without any corresponding revenue return.

64. Ethiopia has a similar general exemption from duty of industrial and agricultural machinery but this does not extend to raw materials and building requisites such as structural steel. The free list in the tariff itself does, however, afford relief to many other development products. Zanzibar also has a special exemption from duty of plant and equipment for the use of approved industrial and commercial enterprises, since the tariff itself affords no specific reliefs other than generally lower rates for capital goods.

^{1/} By admitting duty-free such materials as industrial and agricultural machinery, tractors, road-making vehicles, constructional steel, other building materials and fertilizers.

^{2/} See Paragraph 56 above

III. CONCLUSION

65. It only remains to conclude this report with a brief reference to the measures which the Secretariat has in view for the completion of the survey, and certain other avenues which might profitably be explored in the technical assistance field.
66. Preparations are already in hand to extend the survey to the North African sub-region.^{1/} When it has been completed, the Standing Committee on Trade may recommend on the means of future consultation between the countries of the region, which is so essential a measure for the resolution of customs problems concerning standardization, harmonization and simplification of systems and procedures. This could be either through the sessions of the Committee itself or through the creation of further working parties to deal with specific customs problems. Reference might also be made here to the usefulness of the meetings of senior officials at the advanced customs training courses organized by ECA. Valuable opportunities are presented at the short seminars forming part of these courses for participants to discuss outstanding problems and make recommendations for their possible solution in the reports which they are required to submit to their Governments on returning to their respective countries.
67. The Committee may feel that the greatest need in the field of technical assistance is for the establishment of joint residential customs training colleges in Africa to provide for the full training of officials at both the basic and advanced levels. Only a very few countries have training facilities at present and none of these provide the residential element which is so essential for the valuable exchange of ideas between the officials of the various countries.
68. Another outstanding need is for technical assistance in the conversion of tariffs to the Brussels Nomenclature. Few countries have the staff

^{1/} Consisting of the United Arab Republic, Libya, Tunisia, Algeria and Morocco for this purpose.

available for this work and there is scope for a team of experts to concentrate on it for an extended period in both the West and Eastern sub-regions once the governments have decided on it. Some countries may feel that revision of tariff rates should be coupled with conversion of nomenclatures to take into account the inadequacy of fiscal type of tariff structure for modern industrial needs in developing countries. Such tariff revision may take into account the tendency for the protective element to increase at the expense of the fiscal element and to extend to a comprehensive system of drawbacks and rebates; and for internal indirect taxation, levied equally on both the national and imported product, to replace partially the fiscal element of the tariff.