I. SYSTEM AND METHODS OF THE RESTRICTIONS

Legal Basis of the Restrictions

1. Before the formation of the Federation there were various import control laws in the three territories which now comprise the Federation. Under the Constitution, the power to control imports and exports was vested in the Federal Government but, until the necessary Federal law was passed, the control of imports and exports continued under the territorial laws.

2. The control of Goods Act, 1954 (Act 12 of 1954,) which came into operation on 26 March of that year, gave the Federal Government power to control imports and exports. This Act gave the Governor-General the power, inter alia, to make regulations controlling the imports or exports of any goods. The Act also permits the Governor-General to grant powers to any Minister whom he may specify in the Regulations to make orders controlling imports and exports of specific goods or classes of goods.

3. Under these powers the Governor-General issued the Control of Goods (Import and Export) Regulations, 1954, which came into force on 1 April 1954. Under Section 4 of these Regulations the Minister of Commerce and Industry can make orders controlling the import and export of certain goods.

Administrative Basis of the Restrictions

4. In the exercise of the powers conferred on him by the Control of Goods (Import and Export) Regulations 1954, the Minister of Commerce and Industry has, from time to time, made orders which were consolidated in the Control of Goods (Import and Export)(Commerce) Order, 1955. In this Order the import of goods which are not the produce of the scheduled territories, i.e. the sterling area, or which being the produce of the sterling area were specified in the second schedule (see Annex II) is forbidden except under licence. The goods thus specified, which are subject to control although produced in the sterling area, are goods for which import control is necessary to preserve certain internal controls, or to safeguard the fulfilment of the Federation's obligations under international agreements. Import licences are of two kinds, either an open general licence or a special licence. The open general licence covers classes of goods from various groups of countries. Copies of the existing open general licence and of instructions regarding goods subject to special licencing are attached.

In view of the short time available to the secretariat for the preparation of the basic documentation for the consultation, it has not been possible in the case of the consultation with the Federation for the secretariat to send a consultant to the country to prepare a basic document in collaboration with the authorities concerned. In these circumstances, the Federal authorities have kindly agreed to draft the document themselves.
5. The special licences apply to particular consignments of goods. They are issued by the Ministry of Commerce and Industry at its Head Office in Salisbury, and at the branch office at Bulawayo, Lusaka, Ndola and Limbe. These licences are normally valid to cover importation within six months of the date of issue.

Methods of Administering the Restrictions

6. As explained above, under the Control of Goods (Import and Export) (Commerce) Order certain goods can be imported only under licence whatever their origin. On the other hand, under Open General Licence No. 2 of 1957 (Annex III), certain goods, such as petroleum products, travellers' effects, commercial samples, etc., are permitted to be imported freely whatever their origin. Otherwise imports are treated according to their country of origin whether or not the country of export is the same as the country of origin.

Treatment of Imports from Different Countries and Currency Areas

7. No discrimination is made between individual countries within one currency area. The methods of administering import controls from various areas are given below.

A. The Sterling Area:

The countries of the sterling area are the following:

The fully self-governing countries of the British Commonwealth except Canada; any Colony under the Dominion of Her Majesty; any territory administered by the Government of any part of Her Majesty's Dominions under the trusteeship system of the United Nations; any British Protectorate or British protected State; South West Africa; the Irish Republic; Iraq; Iceland; Burma; the Hashemite Kingdom of the Jordan; and the United Kingdom of Libya.

All goods of sterling area origin except those which are restricted whatever their origin, as explained above, may be imported freely under the authority of the Control of Goods (Import and Export) (Commerce) Order, 1955.

B. OEEC Countries:

The OEEC countries are as follows:

Austria; Belgium; Denmark; France; German Federal Republic; Greece; Italy; Luxembourg; Netherlands; Norway; Portugal; Sweden; Switzerland; and Turkey.

In addition Liechtenstein and Morocco are granted OEEC treatment.

All goods originating in OEEC countries may be freely imported under the authority of the Open General Licence No. 2 of 1957, with certain exceptions; i.e. those goods subject to control, whatever their source.
In other words, with effect from 20 July, 1957, all balance-of-payments restrictions on imports from OEEC countries have been lifted.

C. Japan

Goods originating in Japan may be imported only under licence, and licences are not generally granted except for the following goods for which quotas have been fixed; piece goods for clothing manufacturers, piece goods for converters, and hardwoods. Industrial haberdashery for clothing manufacturers is licensed freely without restriction to quota.

D. Other Non-Dollar GATT Countries, not Members of OEEC:

These countries are the following:

Brazil; Chile; Czechoslovakia; Finland; Indonesia; Peru; and Uruguay.

Goods originating from these countries may be imported only under licence, but licences are generally granted on application.

E. The Dollar Area

The following are the dollar countries:

Bolivia; Canada; Columbia; Costa Rica; Cuba; Dominican Republic; Ecuador; Guatemala; Haiti; Republic of Honduras; Liberia; Mexico; Nicaragua; Panama; Philippine Islands; El Salvador; United States of America and any territory under the sovereignty of the United States; and Venezuela.

In the case of the dollar countries there are four classes of goods. The first consists of goods for which quotas have been fixed. These include wheat, piece goods for clothing manufacturers, motor vehicles, stoves and washing machines.

The following quotas are in force for the period July to December 1957:

<table>
<thead>
<tr>
<th>Item</th>
<th>Quota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>£225,000</td>
</tr>
<tr>
<td>Piece goods for clothing manufacturers</td>
<td>£100,000</td>
</tr>
<tr>
<td>Stoves and washing machines</td>
<td>£10,000</td>
</tr>
<tr>
<td>Passenger &amp; commercial motor vehicles</td>
<td>£300,000</td>
</tr>
</tbody>
</table>

Note: The January/June 1957 quota of £650,000 for motor vehicles included provision for those assembled from dollar parts in the sterling and OEEC currency areas. The greater part of the quota was used for importations of such vehicles, which are now free from all restrictions; the present quota applies only to direct imports from dollar countries.

The second class of goods, the import of which is licensed for industrial purposes only and then in unlimited quantities, includes raw materials for blanket manufacture, tapestry and ticking for furniture manufacture, industrial haberdashery for clothing manufacture, certain types of paper required by converters, plastic sheeting and strip, and
castors. The third is the class of goods mostly of a non-essential character for which licences are not normally granted. All these goods are listed in the Fourth Schedule to Open General Import Licence No. 2 of 1957 (separate Annex III). The fourth class comprises all goods not included in that schedule. With effect from 26 July 1957, such goods may be imported under Open General Import Licence.

State Trading

8. The only cases of state trading are the importation of certain agricultural products through statutory marketing Boards.
II. EFFECTS ON TRADE

Protective Effects of the Restrictions and Effect of Relaxation

9. Since goods from the sterling area are imported without restriction, the protective effects on industry in the Federation of the restrictions on other imports are negligible. The general relaxation of the restrictions would not, therefore, cause hardship to Federal Industry, but would be more likely to bring about a minor re-arrangement of trade, perhaps to the detriment of sterling area countries and in favour of other countries. In view of this no particular steps have been taken or are contemplated to mitigate the effects of de-restriction. The restrictions are designed not to cause unnecessary damage to foreign trade interests; it can be pointed out that practically the whole of the Federation's imports' goods are unrestricted from all Western sources.

Percentage of Liberalization

10. Because Federal trade statistics date only from 1954, no meaningful percentage of liberalization can be stated. However, the whole of the Federation's trade with the sterling area and the OEEC countries is now free. As regards the Dollar countries restriction now applies only to some 108 out of 331 main tariff items and many of these 108 items are at least partially liberalized. All main raw materials and capital goods are completely free. Imports from the dollar area increased from £7,903,000 in 1955 to £10,593,000 in 1956.
III. BALANCE-OF-PAYMENTS POSITION AND PROSPECTS

Situation and Prospects

11. Table 2 on page 63 of the Economic Report, 1957 (separate Annex IV) shows that the Federation had a deficit in its balance of payments on current account in 1956 of £32.6 million, which was balanced by the surplus on capital account. The current deficit was the largest since the Federation was established. An important part of the picture is that whereas the Federation's external reserves rose in 1954 and 1955, in 1956 there was a decrease in external reserves. In 1954 and 1955, the increases in reserves were £12.9 million and £8.2 million respectively, while in 1956 the decrease amounted to £2.5 million.

12. The geographical distribution of current transactions in Table 3 on Page 64 shows that the Federation's deficit with all sterling area countries increased from £38.5 million in 1955 to £43.0 million in 1956; that the surplus of £8.5 million with the dollar area in 1955 became a deficit of £5.5 million in 1956; that the surplus with OEEC countries of £19.1 million in 1955 fell slightly to £18.5 million in 1956; and that the deficit with the rest of the world rose from £0.3 million in 1955 to £2.5 million in 1956. One principal cause of the deterioration in the position has been the fall in the price of copper from the peak of £435 per ton in March 1956 to its current level of under £220.

13. There is normally some deterioration in the Federation's position on dollar account in the second half of each calendar year, chiefly because of the dividend payments in that period, but in the second half of 1956 the deterioration was more marked than usual. Compared with a surplus on current account of £1.4 million from January to June, there was a deficit of £6.9 million from July to December, which is accounted for by the drop in export receipts (mainly copper), and the increase in mining dividend payments. Part of the drop in the tonnage of copper exports resulted from technical causes, and there has been a recovery of shipments in the first half of 1957, but the result of the full year's operations on dollar account in 1957 is likely to be worse than in 1956. It is estimated that the deficit on current account, including the proceeds of gold exports as dollars, will be about £5 million, with an overall deficit, after including capital transactions, of about £1 million. These estimates take into account lower export receipts, the cessation of certain dollar loan receipts, lower dividend payments by mining companies, and higher imports.

Monetary Reserves

14. For the twelve months ending 30 June, 1957, the Federation's deficit on current account is expected to be about £70 million, while the overall deficit, involving a corresponding decrease in the external reserves, is expected to be between £20 million and £30 million. At 31 March 1957, these reserves stood at £140.7 million. While it is at this stage, impossible to give estimates for the period until 30 June 1958, it is a firm expectation that there will be a large overall deficit during that period.
Effects of Restrictions on Balance of Payments, and Effects of any Relaxation

15. The present restrictions have a negligible effect on the Federation's total balance of payments. The diversion of a certain amount of trade, particularly from dollar countries, arises from both the Federation's obligations as a member of the sterling area, and its own need to keep a check on dollar expenditure as a result of the decline in its dollar earnings.

A major relaxation or an elimination of the restrictions would aggravate the difficulties which the Federation is experiencing in its trade on dollar account. This in turn would put a further strain on the sterling area reserves.

Expected Duration of Restrictions

16. While it remains the policy of the Federal Government to relax restrictions as rapidly as it can, the prospect as far ahead as it is possible to see it - i.e. to the end of July 1958 - indicates that it will be difficult to make any important relaxations on dollar account before then.

The prospects for the future are, however, subject to the influence of the present world-wide scarcity of capital which is a contributory factor in holding back development throughout the Federation and therefore in checking the upward trend in the country's demand for imports.
IV. ALTERNATIVE MEASURES TO RESTORE EQUILIBRIUM

(a) Monetary Measures:

17. During 1956 the Government requested the Central Bank to take action to restrict bank credit in the Federation. The Commercial banks were asked to restrict credit as far as possible to basic sectors of the economy, such as the Kariba project, the railways, agriculture, and mining, and to scrutinize closely all applications for credit. The banks' response to this request led to an effective slowing down of the growth of the bank advances, and to a rise in the sterling balances of the banks. The Government is able to reinforce these credit controls through the Federal Hire Purchase Act, which was passed in March 1957.

(b) Fiscal Measures:

18. The introduction of a new Federal customs and excise tariff on 1 July 1955, embodying a policy of moderate protection for worthwhile industry, has helped to introduce greater equilibrium into the economy. Total imports rose by 18 per cent in volume and 5 per cent in unit between 1954 and 1956, but the percentage of total imports taken up by consumers' goods was only 32.5 per cent in 1956 compared with 34.8 per cent in 1954. Moreover, while expenditure on private consumption rose by no less than 81 per cent between 1954 and 1956, imports of consumers' goods rose by only 27 per cent during the same period. The generally low level of incomes of the African population limits both the extent to which indirect taxes can be levied on local consumption, and the efficacy of such levies, but taxes on goods such as motor cars, liquor and luxury articles are relatively high.

(c) Long-Term Measures:

19. The policy of the Federal and Territorial Governments is to increase productivity and export capacity. In fact, the size of the current external payments deficit is largely due to the rate of development in the Federation, and in 1956 43.7 per cent by value of total imports consisted of durable producers' goods. The corresponding figures for 1955 and 1954 were 39 per cent and 38.1 per cent.

20. Although production in the Federation is almost entirely privately controlled and financed, the basic economic services are provided mainly by the Governments and public bodies. During the four-year period 1957/61, investment in economic services under Federal Government control is planned to total over £117 million. Of this total, transport and communications will absorb over £54 million, and electric power over £60 million. Of the latter provision, over £54 million is for the Kariba Hydro Electric project which, when finally completed, will have an installed capacity of 1,200 megawatts.

21. £39 million or over 70 per cent of the planned capital expenditure in 1957/61 in respect of transport and communications relate to the Rhodesia Railways which serve Southern and Northern Rhodesia. In the Federation, distances between major centres and between those centres and the sea give the Railways an especial importance in the economy and this accounts for their high priority in the Development Plan.
22. There has recently been significant improvement in rail transport as is shown in Chapter 5 of the Economic Report. At present all railway routes serving the Federation are being used to the utmost extent of available equipment. This includes not only the new railway line to Lorenzo Marques via Malvernia but also the line to Lobito Bay of which more use is being made for import traffic to the Copperbelt and also for the export of metals.

23. For the general improvement of transport and communications in the Federation other large sums are being spent on postal and telecommunications facilities, Federal roads (the main inter-Territorial and international routes), airfields and meteorological services, lake harbours and shipping, and air services. In addition, the Development Plans of the Territorial Governments place emphasis on roads and other basic services. All these developments will lead to an increase in productivity in the country. Particularly important will be the increase in industries processing metals and minerals and thus raising the export value of these commodities.

24. In agriculture large investments are being made by all Governments in soil and water conservation, in financial assistance to farmers, in research projects and in propaganda and expert advisory facilities. The programmes are aimed at increasing productivity both in terms of quantity and quality; they will lead to a reduction of costs, an improvement of efficiency, a diversification of the farm economy, and the conservation of the natural resources of the country. Results have already been produced. For example, average maize yields per acre on European farms in Southern Rhodesia in 1956-57 were over twice the average yields for the three years 1946/49, while the production of nondescript leaf at the auction sales of flue-cured tobacco during the present season has fallen by nearly one half compared with the corresponding period of last year.

25. Apart from the provision of basic services, secondary industry in the Federation is being encouraged in many other ways; for example by rebates of Customs duty, and by imports of capital equipment and raw materials duty-free or at nominal rates.

26. As a result of the politics outlined above, the Federation is providing more of its own needs; exports are being increased in volume and the range of export products is being widened.

(c) Other Measures:

27. In both the Government and the private spheres a number of other measures have been taken to restore balance on international payments:

(i) The Government is constantly studying the possibilities of drawing funds from capital markets in countries other than those in the sterling area from which the Federation has traditionally received most of its capital requirements, and has established contacts with a view to raising official loans in those markets when the time is suitable. In regard to private borrowing from abroad, and investment by private interests in the Federation, the Government's policy is to encourage such business. It permits the free transfer of dividends and profits on all foreign investments in the Federation, and the free repatriation of capital in respect of all investments other than those of a speculative nature, such as real estate and share speculations.
Except in mining, this lack of restrictions has not resulted in a great flow of capital from private investors in the dollar area. Whereas private dollar funds have been invested almost entirely in mining, funds from the sterling area and from OEEC countries have been applied over a wide field of mining, industry and commerce. The inflow of capital from the different geographical areas is shown in Table 5 on page 70 of the Economic Report.

(ii) It is Government policy to broaden the field of private enterprise by disposing of basic enterprises in which it has a direct interest, when the state of such enterprises provides scope for further expansion through private management. In this way an equity interest is created, to form an attraction for external investors. Evidence of this policy lies in the sale of the RISCOM steel-works by the Southern Rhodesia Government to private interest, and by the Federal Government's placing on the market of the industrial undertaking of the Cotton Industries Board, with its spinning mills at Gatooma.

(iii) By its successful efforts to establish a regular issue of Treasury and Statutory Commission Bills, and by creating suitable conditions for the establishment of investment banks and other finance institutions, the Government is encouraging the growth in the Federation of a short-term money market, with the result that local funds are being more efficiently employed, and with the prospect of attracting short-term capital from abroad.

(iv) Throughout recent years, a high level of demand has been maintained for the Federation's materials, the most important of which are base metals and tobacco, but it is appreciated that export markets must be maintained and new markets developed. For this reason, the Government attaches importance to the promotion of exports. It has commenced to establish a resident Trade Commissioner service abroad, and has sent trade missions to various countries in Africa, to the Far East, and to Australia and New Zealand. These activities will be continued and extended.

List of Annexes

I. Notes for Importers and Others

II. List of goods requiring import licences whatever the country of origin

III. Open General Licence No. 2 of 1957

IV. Economic Report 1957

Annexes I and II are circulated in the English language only. Only one (printed) copy of Annex III and of Annex IV is supplied to each contracting party.
ANNEX I

FEDERATION OF RHODESIA AND NYASALAND

IMPORT CONTROL

NOTES FOR IMPORTERS AND OTHERS

1. These notes are purely explanatory and are not to be taken as varying any of the provisions of the statutory instruments governing the import of goods. These are:

(a) The Control of Goods (Import and Export)(Commerce) Order, 1955, published in Federal Government Notice No. 107 of 1955; and

(b) The Control of Goods (Import and Export)(Commerce)(Amendment) Order, 1956 (No. 5), published in Federal Government Notice No. 258 of 1956; amended by


2. These Orders set out the conditions under which goods may be imported. They provide that certain goods which are listed in the Second Schedule of Federal Government Notice No. 258 of 1956 as amended by Federal Government Notice No. 177 of 1957 may only be imported under licence, whatever their country of origin. A list of these goods is attached to these notes as an Appendix. They also provide that goods originating in the Sterling Area may be imported freely without licence unless they are included in the list of goods mentioned above. The Amendment in Federal Government Notice No. 177 is intended to make it clear that motor vehicles assembled in the Sterling Area from parts made in the Dollar Area may now be imported free of licence. The Sterling Area countries are the following:

1. The fully self-governing countries of the British Commonwealth except Canada.
2. Any Colony under the Dominion of Her Majesty.
3. Any territory administered by the Government of any of Her Majesty’s Dominions under the trusteeship system of the United Nations.
4. Any British Protectorate or British-protected State.
5. South-West Africa.
6. The Irish Republic.

7. Iraq.

8. Iceland.


10. The Hashemite Kingdom of the Jordan.

11. The United Kingdom of Libya.

3. The import of any goods originating outside the Sterling Area is only permitted under the authority of a licence. Importers should note that, if goods are subject to an Agricultural Order, a licence issued under a Commerce Order is not valid unless a permit under the Agricultural Order has been obtained.

4. The country of origin, and not the country of purchase or last export, determines whether a licence is required for the import of goods. This applies whether the goods are imported under the authority of the Open General Import Licence or a Special Import Licence.

5. Licences issued under the Commerce Order are of two kinds, Open General Import Licences or Special Import Licences. Open General Import Licences give a general authority to import without restriction as to persons or quantities. Special Import Licences specify the persons who may import and the goods and quantities they may import.

6. The Open General Import Licence at present in force is Open General Import Licence No. 2 of 1957, published in Federal Government Notice No. 176 of 1957, a copy of which is attached to this note. This Open General Import Licence applies to goods other than those which may only be imported under special licence whatever their origin.

7. The Open General Import Licence contains three main provisions which determine whether goods may be imported under the authority of this licence or require special licences. Section 2 should be read with the First Schedule and allows the goods listed there to be imported under the authority of the Open General Import Licence whatever their country of origin. Section 3 refers to the countries listed in Part I of the Second Schedule and permits the import under the authority of the Open General Import Licence of all goods from those countries except the goods listed in Part II of this Schedule. Thus the only goods from these countries requiring special import licences, apart from those referred to in paragraph 2 above, which require special licences whatever their origin, are second-hand clothes. Section 4 of the Open General Import Licence is to be read with the Third Schedule and applies to the countries listed in Part I of this Schedule, which may be referred to as the Dollar Countries. Still subject to the proviso that certain goods require import licences whatever their origin, this provision allows the import under the authority of this Open General Import Licence of all goods from the Dollar Countries except those listed in Part II of the Third Schedule. That is, goods so listed require special import licences.
8. When dealing with application for currency, banks should examine whether the goods for which it is required may be imported under the authority of the Open General Import Licence. The Licence will be interpreted strictly in accordance with the provisions of the Customs Tariff. Should there be any doubt whether the goods require special import licences reference should be made to one of the offices of the Ministry of Commerce and Industry at Salisbury, Bulawayo, Lusaka, Ndola or Limbe. When importing goods under the authority of Open General Import Licence No. 2, importers should state this on the customs documents.

9. Special Import Licences will be issued for imports from the Dollar Countries on the following basis:

A. For the following goods up to the total value shown against each:

- Wheat .................................................. $225,000
- Piece goods for clothing manufacturers.......... $100,000
- Commercial and passenger motor vehicles ................ $300,000
- Stoves and washing machines ........................ $10,000

B. For the following goods for industrial purposes:

(i) all raw materials for blanket manufacture;
(ii) tapestry ticking for furniture manufacture;
(iii) industrial haberdashery for clothing manufacture;
(iv) the following items for paper and board converters:

- sack kraft;
- kraft linen;
- tissue;
- crepe kraft and coated kraft excluding bituminized kraft;
- cellular wadding;
- waxed paper;
- kraft or sulphite for paper bags;
- bleached greaseproof or glaçine chem fibre

(v) plastic sheeting and strip;
(vi) castors.

10. There remain the following classes of countries not covered by the Open General Import Licence or the foregoing notes:

A. Japan. All goods of Japanese origin require special import licences. Licences will be issued-

(a) for the import of the following goods to the total value shown against each:
piece goods for clothing manufacturers .................. £500,000
piece goods for converters .................. £20,000
Hardwoods .................................. £25,000

and

(b) industrial haberdashery for clothing manufacturers including
braids and edgings;
buckles;
hair cloth;
lace;
motifs;
waistbands;
zips;
esthetic for manufacturing purposes in rolls
of not less than thirty-six yards;
ribbons up to one inch in width and in
packings of not less than seventy-two yards;
adjustable shoulder straps;
woven cloth labels.

B. The following countries, which are members of GATT but not of OEEC:

Brazil;
Chile;
Czechoslovakia;
Finland;
Indonesia;
Peru;
Uruguay.

Goods originating in those countries may only be imported under the
authority of special import licences. Such licences will usually
be given on application.

C. All other countries not included in any of the categories listed
above. Goods from these countries may only be imported under the
authority of special import licences. Licences will be granted for
the import of:

(i) carpets, floor rugs, mats, matting and underfelt;
(ii) mercury;
(iii) pharmaceuticals.
ANNEX II

GOODS REQUIRING IMPORT LICENCES WHATEVER THE COUNTRY OF ORIGIN

1. Wheat, wheaten flour, wheaten meal.
2. Margarine.
3. Sugar.
4. Jute grain bags.
5. Cement.
6. Gold, including:
   (a) any unmanufactured gold in any form whatsoever;
   (b) any article or substance containing such unmanufactured gold;
   (c) any article consisting of or containing gold which, although
       manufactured, is, as such, not a gold coin, or an article of
       commerce, or a work of art, or an article of archaeological
       interest;
   (d) gold derived from the smelting or treatment of any manufactured
       article containing gold.
7. Matches containing phosphorus.
8. Clothing of the following types:
   (a) new clothing designed for military, naval or air force use;
   (b) used clothing other than the personal effects of an individual.
10. Arms and ammunition not being the personal property of bona fide
    travellers.
11. Any radio-active element or any radio-active isotope of any element, other
    than radium, and its disintegration products.
12. Any article with respect to which notice has been given to the Controller
    of Customs and Excise in pursuance of the provisions of any Territorial
    Law, relating to copyright, as read with the provisions of sub-section (1)
    of Section 14 of the Copyright Act, 1911, of the United Kingdom.