1959 CONSULTATIONS UNDER ARTICLES XII:4(b) and XIV:1(g) WITH THE FEDERATION OF RHODESIA AND NYASALAND

Basic Document prepared by the Secretariat

1. 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) (Commerce) Regulations, 1958, which came into force on 28 November 1958. Under Section 3 of these regulations the Minister of Commerce may make orders prohibiting, restricting, or otherwise controlling the import of goods which are not the product or manufacture of a Territory of the Federation.

Administrative Basis of the Restrictions

4. In exercising the powers conferred upon him by the Control of Goods (Import and Export) (Commerce) Regulations, 1958, the Minister of Commerce and Industry has consolidated previous orders in the Control of Goods (Import and Export) (Commerce) Order, 1958, which came into force on 5 December 1958. In this Order the import is forbidden, except under licence, of goods which are not the produce of sterling territories, or which (whether the produce of sterling territories or not) are listed in the Second Schedule to the Order. The goods thus listed 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.

5. Import licences are of three kinds:

(a) Open General Licences, issued by the Minister of Commerce and Industry by publication in the Federal Government Gazette; these authorize the importation of classes of goods from various groups of non-sterling countries.
(b) Special licences issued by the Secretary to the Ministry of Commerce and Industry; these authorize the import of particular consignments of goods from non-sterling countries. Licences are issued at the Ministry's Head Office in Salisbury and at its regional Offices in Bulawayo, Lusaka, Ndola and Limbe. These licences are normally valid to cover importation within six months of the date of issue. (A copy of the current instructions regarding goods subject to special licensing is attached as Appendix IV.)

(c) Special licences may also be issued by specified officers of the Southern Rhodesia, Northern Rhodesia and Nyasaland Territorial Governments for the import of game traps, wild animals, or arms and ammunition, these commodities being the subject of territorial law. The form of licences is specified in the Fourth Schedule to the Order.

Methods of Administering the Restrictions

6. As explained above, the goods listed in the Second Schedule of the Control of Goods (Import and Export) (Commerce) Order, 1958, may be imported only under licence whatever their origin. On the other hand, goods listed in the First Schedule of the Control of Goods (Import) Open General Licence of 1959 (including petroleum products, travellers' effects, commercial samples, etc.) are permitted to be imported freely whatever their origin. Imports are treated according to country of origin whether or not this is the same as the country from which they were exported to the Federation.

Treatment of Imports from Different Countries and Currency Areas

7. No discrimination is made between individual countries within one currency area. The treatment accorded to various areas is shown below:

A. The Sterling Area

The sterling territories are:-

The fully self-governing countries of the British Commonwealth other than Canada; any British Colony, any territory administered by the Government of any part of Her Majesty's Dominions under the trusteeship system of the United Nations; any territory under the protection of Her Majesty or in which Her Majesty has for the time being jurisdiction; South West Africa; Burma; the Hashemite Kingdom of Jordan; Iceland; Republic of Ireland; United Kingdom of Libya.

Under the Control of Goods (Import and Export) (Commerce) Order, 1958, any goods originating in a sterling territory may be imported free of restriction, except those listed in the Second Schedule to the Order.
B. OEEC Countries

The non-sterling OEEC countries are as follows:

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

The following countries also receive OEEC treatment:

Finland; Israel; Principality of Lichtenstein; Sherifian Empire of Morocco.

All goods originating in the countries listed above may be imported under the Control of Goods (Import) Open General Licence, 1959, except for those goods listed in the Second Schedule of the Control of Goods (Import and Export) (Commerce) Order, 1958, whose import is controlled from all sources. With these exceptions all balance-of-payments restrictions on imports from OEEC countries have been lifted since 20 July 1957.

C. Japan

Goods originating in Japan may be imported only under special import licence, and licences are not generally granted except for the following goods for which quotas are fixed at six-monthly intervals; piece-goods for clothing manufacturers; piece-goods for converters; and hardwoods. Industrial haberdashery for clothing manufacturers is licensed freely without quota.

D. Other non-dollar GATT Countries, not members of OEEC

These are the following:

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

Goods originating from these countries may be imported only under special import 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.

Goods originating in the dollar area are subject to four types of control.
The import of certain classes of goods is licensed under quota. These are:

<table>
<thead>
<tr>
<th>Class of goods</th>
<th>Quota for the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July/December, 1959</td>
</tr>
<tr>
<td>Wheat and flour</td>
<td>£225,000</td>
</tr>
<tr>
<td>Piece-goods for clothing manufacturers</td>
<td>£100,000</td>
</tr>
<tr>
<td>Commercial and passenger motor vehicles</td>
<td>£300,000</td>
</tr>
<tr>
<td>Stoves, washing machines and refrigerators</td>
<td>£30,000</td>
</tr>
<tr>
<td>Ladies' silk and nylon stockings</td>
<td>£10,000</td>
</tr>
</tbody>
</table>

(Note: Motor vehicles assembled in the sterling and QEBC territories from dollar parts are not included in the quota, since in July 1957 they have been admitted under Open General Licence. In periods previous to January 1959 there was no quota for refrigerators, and the quota for stoves and washing machines amounted in July-December 1958 to 10,000)

Certain classes of goods are licensed in unlimited quantities, if imported for industrial purposes. These goods include 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.

Certain goods, listed in Part II of the Third Schedule of the Control of Goods (Import) Open General Licence, 1959, are of a non-essential character for which import licences are not normally granted. On 1 January 1959, the following goods were deleted from this class and permitted to be imported under Open General Licence; watches and clocks; cash registers; boats and launches; gramophone needles; cups, medals and trophies (not being for the purpose of advertisement) imported for presentation; raw blanket cloth; furs in the piece, not fashioned or fabricated or lined; knitting machines; organs and blowers and harmoniums imported by, or on behalf of, or for presentation to any religious organization; plastic sheeting and strip, pliable, in the piece or in the length; glass and chinaware; porcelainware, earthenware and stoneware.

On 10 July 1959, the following goods were added to the Open General Licence list:

pickles, sauces, chutneys and other condiments; bagging and sacking in the piece; carpets, floor rugs, mats and matting; lace; bicycles, tricycles, motor cycles, motor scooters and auto-cycles; perambulators and baby carts.
A fourth class of goods are those not covered by any other type of control. Since 26 July 1957, these have been imported freely under Open General Licence. From 1 January 1959, this class of completely liberalized goods has included the commodities listed in the preceding two paragraphs.

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 derestriction. 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.

III. BALANCE-OF-PAYMENTS POSITION AND PROSPECTS

10. The table appearing on page 26 of the Economic Report, 1958 (attached as an annexure to this paper) shows that the Federation had a deficit in its balance of payments on current account in 1958 of £54.8 million, compared with a deficit of £67.3 million in 1957. The net inflow of capital in 1958 covered this deficit of £54.8 million and contributed to a small increase in banking reserves of £1.8 million. External reserves as a whole totalled some £100.6 million as against £100.8 million at the end of December 1957.

11. The current deficit was the second largest on record since the Federation was established. The effect is seen in the figures of external reserves which, after rising in 1954 and 1955, fell by over £4 million in 1956, £46.1 million in 1957 and £0.3 million in 1958.

12. The geographical distribution of current transactions in 1958 appears on pages 28 and 29. It shows that the Federation's deficit with all sterling countries decreased from £20.4 million in 1957 to £58.6 million in 1958; that the surplus of £6.7 million with the dollar area in 1957 fell to £1.5 million in 1958; that the surplus with COMO countries fell from £7.6 million in 1957 to £3.8 million in 1958; and the deficit with the rest of the world remained stationary at £0.1 million.

13. The improvement in 1958 was occasioned by a reduction in imports and an improvement in copper prices.
14. It is estimated that the current account deficit in the first half of 1959 will be £12 million and, in the second half, £21 million.

15. As at 31 March 1959, the external reserves were £98.15 million including £5 million of a London loan of £10 million floated in February this year. The reserves at 31 March 1958, stood at £99.6 million.

IV. ALTERNATIVE MEASURES TO RESTORE EQUILIBRIUM

16. In February 1958, the Central Bank acting on a request from the Federal Government, asked the commercial banks to restrict credit in order to bring about a substantial reduction in their advances, while continuing to give favourable treatment to the export industries. At the same time, the Federal Government tightened its hire purchase controls by imposing a down deposit of 50 per cent on all goods and reducing the periods of payment. These measures proved adequate to reverse the rapid downward movement in external reserves which had occurred in the second half of 1957 and by May 1958, external reserves had begun to increase. During 1958 the rising price of copper, together with a fall in imports, led to an improvement in reserves which enabled the Federal Government to make some reductions in hire purchase deposit requirements in the last quarter of the year.

17. At the end of December 1958, the reserves stood at £100.6 million. Although, at this level, the reserves were fractionally less than those at the end of 1957, the volume of imports had fallen to levels for which they were adequate. Export prices were also improving and the outlook was promising. Accordingly, in February 1959, the Government decided that the need to maintain monetary controls had passed. The commercial banks, however, were asked to adopt a cautious approach towards any expansion of credit facilities. These measures have resulted in a small rise in imports in April and May as compared with the average of the previous six months.
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 instrument governing the imports of goods.

This is:


2. This order sets out the conditions under which goods may be imported. It provides that certain goods which are listed in the Second Schedule may only be imported under licence, whatever their country of origin.

These goods which are subject to import control from all sources are:

(i) Any radio-active element or any radio-active isotope of any element, excluding radium and its disintegration products in sealed containers.

(ii) Arms and ammunition, not being the personal property of bona fide travellers.

(iii) Articles 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.

(iv) Cement.

(v) 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.

(vi) Game traps of metal construction, operated by springs and having a jaw length of four inches or more.

(vii) 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 of archaeological interest;

(d) gold derived from the smelting or treatment of any manufactured article containing gold.

(viii) Grain bags and bagging and sacking in the piece, of jute or substitute fibres.

(ix) Sugar.

(x) Wheaten flour.

(xi) White phosphorous matches.

(xii) (1) Wild animals, wild animal trophies and wild animal products, that is to say -

   (a) any bird, reptile or mammal of a species normally existing in a wild state;

   (b) the carcass or any part thereof of such bird, reptile or mammal, including

      (i) any tooth, tusk, ivory, bone, horn, shell, claw hoof, skin, hair, feather or any other durable portion thereof; but not including any such part which by a process of bone fide manufacture, has lost its original identity:

      (ii) any flesh, fat or blood, whether fresh, dried or preserved;

(2) Live fish, including the eggs and spawn thereof.

N.B. The following persons:

(a) The Game Officer in Southern Rhodesia

(b) The Director of Game and Tsetse Control in Northern Rhodesia

(c) The Director of Game, Fish and Tsetse Control in Nyasaland

may issue licences authorizing, subject to the provisions of any other law, including a Territorial law, the import into the Federation of any goods specified in items (vi) and (xii);

and the following persons:

(a) any magistrate in Southern Rhodesia

(b) the Commissioner of Police of Northern Rhodesia

(c) any district commissioner in Northern Rhodesia

(d) the Commissioner of Police in Nyasaland
may issue licences authorizing, subject to the provisions of any other law, including a Territorial law, the import of arms and ammunition, not being the personal property of bona fide travellers, into the Federation.

3. This order also provides 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 sterling area countries are:

(i) The fully self-governing countries of the British Commonwealth except Canada.
(ii) Any British Colony.
(iii) Any territory administered by the Government of any of Her Majesty's Dominions under the trusteeship of the United Nations.
(iv) Any British Protectorate or British-protected State.
(v) South-West Africa.
(vi) Burma.
(vii) Hashemite Kingdom of Jordan.
(viii) Iceland.
(ix) Republic of Ireland.
(x) United Kingdom of Libya.

4. 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.

5. The country of origin, and not 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.

6. 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.

7. The Open General Import Licence at present in force is Control of Goods (Import) Open General Licence published in Federal Government Notice No. 182 of 1959. This Open General Import Licence applies to goods other than those which may only be imported under special licence whatever their origin.

8. The Open General Import Licence contains three main provisions, which determine whether goods may be imported under the authority of the licence or require special licences. Section 2(1)(a) 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 2(i)(b) refers to the countries listed in the Second Schedule and permits the import under the authority of the Open General Import Licence of all goods from those countries. Section 2(i)(c) 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. These countries may be referred to as the Dollar countries, and still subject to the proviso that certain goods require import licences whatever their country of origin, all goods from the Dollar countries except those goods listed in Part II of the Third Schedule may be imported under the authority of the Open General Import Licence. All goods listed in Part II of the Third Schedule require special import licences.

9. When dealing with an 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 at Salisbury, Bulawayo, Lusaka, Ndola or Limbe. When importing goods under the authority of the Open General Import Licence importers should state this on the customs documents.

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

(i) for the following goods up to the total value shown against each:

(a) Wheat ........................................ £225,000
(b) Piece-goods for clothing manufacturers £100,000
(c) Ladies' stockings .............................. £10,000
(d) Commercial and passenger Motor Vehicles .......................... £300,000
(e) Stoves, washing machines and refrigerators .......................... £30,000

(ii) for the following goods for industrial purposes:

(a) all raw materials for blanket manufacture;
(b) tapestry, ticking for furniture manufacture;
(c) industrial haberdashery for clothing manufacture;
(d) the following items for paper and board covers:

sack kraft, kraft linen, tissue,
crepe kraft and coated kraft, bituminised kraft, cellular wadding,
waxed paper,
kraft or sulphite for paper bags,
bleached greaseproof or glaucine chem fibre;
(e) castors.
11. Countries not covered by the Open General Import Licence or the foregoing notes:

(A) Countries which are members of GATT but not of OECD or the "Dollar Area":

- Brazil
- Chile
- Czechoslovakia
- Indonesia
- Peru
- Uruguay.

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

(B) Japan: All goods of Japanese origin require special import licences, and these will be issued:

(a) for the import of the following goods to the total value shown against each:

* (i) Piece-goods for cut, make and trim - and the clothing industry ............... £670,000
(ii) Piece-goods for converters ............... £100,000
(iii) Hardwoods............................... £ 25,000

* Chinese rayon piece-goods are included in this quota.

(b) Industrial haberdashery for clothing manufacturers including:

- braids and edgings,
- buckles,
- hair cloth,
- lace,
- motifs,
- waistbands,
- zips,
- elastic 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.

(C) China: All goods of Chinese origin require special import licences. These licences may be issued at the discretion of the Ministry of Commerce and Industry for the following classes of goods:

(i) Traditional Chinese foodstuffs.
(ii) Fireworks,
(iii) Rice (a permit from the Ministry of Agriculture is also required).

(iv) Silks, brocades and embroidered household linen.

(v) Industrial machinery.

* (vi) Rayon piece-goods.

(vii) Mild steel plates.

(viii) Chemicals.

* See under B Japan.

(D) 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.