

RESTRICTED

12 November 1955

Working Party 5 on the Rhodesia-Nyasaland Tariff

DRAFT REPORT OF THE SUB-GROUP ON THE CUSTOMS TARIFF
OF THE FEDERATION OF RHODESIA AND NYASALAND

1. The Sub-Group set up by Working Party 5 on 3 November 1955 was charged with the following tasks:

- (a) to establish with the aid of the representatives of the Federation the necessary factual background to enable the Working Party to consider the new tariff of the Federation, as modified by the new trade agreements with South Africa and Australia in relation to the principles of Article XXIV and the provisions of Article I of the Agreement, and
- (b) similarly, to establish with the representatives of South Africa and Australia, respectively, the facts concerning changes in their tariffs resulting from their new agreements with the Federation.

I. The Federation Tariff

2. In examining the facts concerning the Federation tariff, the Sub-Group considered first the question of the general level of the tariff and secondly the changes that had taken place in margins of preference.

A. General Tariff Level

3. All members of the Sub-Group were satisfied that the level of the Federal tariff was not higher and was probably even lower than the level of the former Territorial tariffs taken as a whole.

B. Preferential Margins

4. The representative of the Federation stressed the point that the preferential margins have, on the whole, been reduced, if measured against the old Territorial tariffs. He referred to the figures made available by him (Spec/336/55) which

Spec/347/55

English only

show on the basis of calculations based on trade figures of 1953 that the weighted average of all ad valorem preferences was reduced from 11.8 under the Territorial tariffs on the base dates to 8.8 per cent ad valorem under the Federal tariff. He pointed out that if the Federation had adopted unchanged either the Southern Rhodesian tariff, or Northern Rhodesian tariff and applied it to the whole territory, there would have been an increase of preferential margins. If the Southern Rhodesian tariff had been used, most preferences in favour of the United Kingdom would have been increased for the non-conventional area of Northern Rhodesia. If the Northern Rhodesian tariff had been used, most of the Dominion preferences would have been extended.

5. The Sub-Group agreed that as a practical matter any consolidation of the rates previously existing must have resulted in an increase in certain preferences for one or the other of the constituent territories and to the extension of certain preferences to cover imports into an area where no preference had previously existed. They felt, however, that it was important for the group to know more precisely the number and importance of such changes. They agreed, however, that to compare item by item, all the columns of the Federal tariff with the corresponding columns of the predecessor tariffs would not be possible in any reasonable period of time, particularly since the nomenclatures of the previous tariffs had not been identical and the Federal tariff included new classification and the modernization of antiquated classification. They decided, however, to attempt an item by item examination of a substantial sample of the tariff (including the new rates for South Africa and Australia and agreed to the suggestion of the Chairman that the metals and machinery sector of the Federal tariff be used for this purpose. This examination, while not including the entire sector, covered the tariff numbers 82 to 107 comprising fifty-two sub-items. The result of this study is given in the table attached (Annex I) which shows the preferential margins which have been changed.

6. After careful consideration the Sub-Group decided to omit from the table any indication of the extent of the changes in preferential margins in either direction. The inclusion of this data would not only have complicated the table and made it more difficult to obtain an overall impression but would have been misleading unless the changes were weighted in accordance with the volume of trade in each case. They felt furthermore that a comparison of the weighted incidence of increases and decreases in margins for this sample of the Federation tariff would add nothing of value to the weighted comparison that had already been presented by the representatives of the Federation for the tariff as a whole.

7. In twenty-four cases, the preferential margins have not been affected either by the new tariff rates or by the Trade Agreements with South Africa and Australia. In two cases a comparison was impossible due to changes in the tariff nomenclature. In a few other cases the comparison may be incomplete because of minor changes in the nomenclature. In sixteen cases the preferential margins were partially maintained, partially reduced. In the case of ten sub-items one or more of the preferential margins for imports from the United

Kingdom or the Dominions (or granted by Trade Agreement to the Union of South Africa or Australia), have been increased.

8. These ten cases which include increases of preferential margins illustrate most if not all of the kinds of circumstances in which the Federation found it necessary to increase or extend a margin of preference. For example, Tariff No. 82 - aeroplanes - with a rate of 10/0/0 involves an increase of the margin if compared with the previous Northern Rhodesian tariff, whilst the existing margins in the Southern Rhodesian tariff have been maintained; this situation also results in an increase of the preferential margin previously granted by Northern Rhodesia to Australia. In Tariff No. 86(1)(b)(i), the margin of the Dominion rate has been increased, as has the rate under the new Trade Agreement with Australia, but all other margins have been reduced. Tariff No. 93(1)(a) is an example of an item of diminished and diminishing economic importance where a standard set of rates (20%/20%/10%), at the general revenue level has replaced the former protective duties (25%/20%/20%). The increase in United Kingdom and Union preference arises in this case from the desire to simplify the rate pattern by adopting a limited number of rates for revenue purposes. Also in the case of Tariff No. 94(1), (2) and (3) - cash registers, accounting and calculating machines - margins of preferences have been increased by the introduction of a general revenue rate of 25/10/10. In one instance, (in item 163) there was an increase in the margin in each of the constituent territories. In the case of this item the creation of a new tariff number including all engines of the same type, previously spread over various tariff numbers, led to extensive changes. The engines and parts covered were previously classified under a number of different items as industrial machinery, motor vehicle and motor cycle parts, tractor and bulldozer parts, engines for boats, etc., at varying rates of duty. The new item, therefore, involves various increases and decreases as compared with the former levels of duty and margins of preference, including some increases in margins of preference above those made applicable in either territory.

9. Neither the Sub-Group nor the representative of the Federation were able to state with certainty that this analysis, made on the basis of a sample selected from the many hundreds of items in the complete Federation tariff, is necessarily representative in the sense that it will show precisely the same proportion of increases and decreases as the tariff as a whole. The Sub-Group felt, however, that it is adequate to illustrate the various kinds of changes that have taken place throughout the tariff in margins of preference and to illustrate the reasons which have led to those changes. Moreover, the Sub-Group noted the offer of the representative of the Federation to make a similar comparison, with any interested contracting party, of any other portion of the tariff in which that contracting party might be particularly interested. They also remind the Working Party of the offer previously made by the Federation to provide to any delegation the detailed information with respect to any individual item of special interest to them. It is hoped that this will provide the Working Party and the CONTRACTING PARTIES with an adequate basis for arriving at a decision in the case without the necessity for preparing a detailed analysis of all the changes in the complete tariff.

II. Changes in preferential margins on imports into the Union of South Africa from the Federation of Rhodesia and Nyasaland

10. To help the Sub-Group determine what facts they wished to examine the representative of the Union of South Africa drew attention to the statement of his Government relating to the customs relations between the Union and the constituent territories of the Federation, reproduced in document L/381. The Sub-Group then examined with his aid the changes that had taken place in the margins of preference accorded by the Union under the Trade Agreement of 1955 as compared with the margins that were accorded by the Union to Northern Rhodesia and Southern Rhodesia respectively on 1 July 1938, the base date for the Union in Annex G of the General Agreement. This task was facilitated by the fact that on the base date the non-conventional area of Northern Rhodesia enjoyed free entry into the Union for nearly all products and that the Conventional Area received no preference.

11. The Sub-Group considered that it would have been desirable to obtain an accurate picture of the number and importance of changes in preferences in relation to the entire tariff. As in the case of the Federation tariff, however, it appeared that a complete analysis of the entire tariff, after taking into account the new Trade Agreement, would be a very lengthy task and one that might not justify the time and effort involved. As a first step, therefore, they decided to examine a single class of the tariff, in the same manner as the examination that was made of the Federation Tariff, and chose for this purpose Class X, wood and wood products, T.N.262 to 280. This comparison showed that in nineteen out of fifty-four sub-items the preferential margin has not been changed; in twenty-nine cases it has been removed; and in six cases the preferential margin has been increased on a part of the sub-items affected (ex T.N. 265(a), 273(b), 279(a)(ii), (b) and (c)).

12. Although it had not appeared feasible to make a similar comparison for the entire tariff, the Sub-Group decided that a similar comparison should be made with respect to those items in which contracting parties had at one time or other displayed a special interest. For this purpose they used those items that had been bound by South Africa and that appear in South Africa's consolidated Schedule as printed after the Torquay negotiations. They did not attempt to take into account changes which had taken place since that time in South Africa's Schedule. They were aided in this task by the fact that the Trade Agreement with the Federation includes two Annexes (A and B), which list all of the items on which any preference is now accorded by the Union to the Federation. The result of this examination is presented in Annex II to this report. As in the case of the examination of the Federation tariff, the Sub-Group again decided that an indication of the degree of change in each case would be misleading unless accompanied by detailed trade figures for the purpose of weighting.

13. The Sub-Group also noted a special difficulty in obtaining an accurate impression of the changes in preferences for those products listed in Schedule A. This Schedule, which applies to agricultural products, lists the products on which each partner to the Agreement agrees to grant free tariff treatment to

the products of the other at times when any import licences are granted. The normal movement of trade for most products in this list is from the Union to the Federation and only a comparatively few of them involve actual exports. In some cases, the Federation has no exports of the commodity concerned (such as wheat and wheat flour) and in other cases exports to the Union are either negligible or occur only rarely. The interpretation of Annex A is further complicated by the fact that import of the commodities concerned are quantitatively controlled by the Union, and the Federation receives the benefit of the preference only when imports are permitted.

14. In so far as the non-conventional part of the Federation is concerned, the attached table shows that, of forty-four sub-items, in twelve instances the preferential margins have been decreased for all of the Federation in which a preference existed, and have been removed in eight instances. In no instance (with the possible exception of T.N. 69(f)(i) -see Table) has the preferential margin been increased in respect of both territories. In twenty-four cases a preferential margin has been increased as compared with the treatment formerly accorded to Southern Rhodesia. In nine of these cases the margin previously accorded to the non-conventional area of Northern Rhodesia has been reduced and in fifteen cases maintained.

15. For all items where South Africa imposes any duty at all in the m.f.n. column of its tariff, the inclusion of such items in Annexures A or B of the new Agreement has resulted in a new preference for such products originating in the conventional area of the Federation. Under the new customs arrangements for the Federation there will of course be no distinction as between products of different parts of the Federation and it would no longer therefore have been practicable for South Africa to limit the application of the agreement to one or other part of the Federation. The Sub-Group noted, however, that the non-conventional area's total exports to the Union were in any case negligible.

16. Similarly as the representative of the Federation, the representative of the Union of South Africa underlined the limits of any comparison based on samples and declared his willingness to give any explanation to any interested contracting party asking for additional information.

III. Preferential margins on imports from the Federation into Australia

17. The Sub-Group then examined the 1955 Trade Agreement between Australia and the Federation. The representative of Australia stated that Australia extends to all parts of the Federation the preferential rates of duty on four products, namely: the preferential rate previously applicable to tobacco leaf of Southern Rhodesian origin only and the preferential rates previously accorded to Northern Rhodesia and Nyasaland but not to Southern Rhodesia with respect to fruit juices, beeswax and essential oils. On the other hand, the preferential rates previously accorded to Northern Rhodesia and Nyasaland under approximately fifty tariff descriptions are no longer accorded to any part of the Federation.

ANNEX I

Increases and decreases in margins of preference under the tariff of the Federation of Rhodesia and Nyasaland and related agreements as compared with the previous position in Southern and Northern Rhodesia (at the applicable base date) respectively.

Items 82 - 107 inclusive¹

("0" = no change "+" = increased margin "-" = reduced margin)
(for further explanation of table see paragraph 6 of the Report of the Sub-Group).

<u>Tariff Item</u>	<u>Preference accorded to</u>							
	<u>Commonwealth Countries ex S.Africa/Australia as compared with</u>				<u>South Africa</u>		<u>Australia</u>	
	<u>S.Rh. Tariff Dominions UK</u>		<u>N.Rh. Tariff Dominions UK</u>		<u>S.Rh.</u>	<u>N.Rh.</u>	<u>S.Rh.</u>	<u>N.Rh.</u>
82	0	0	+	+	0	+	0	+
84	-	0	-	0	-	-	-	-
86(1)(a)(i)	-	-	0	0	-	-	-	0
(ii)	-	-	0	0	-	-	-	0
86(1)(b)(i)	+	-	-	-	-	-	+	-
(ii)	-	-	-	-	-	-	-	-
86(2)	-	-	-	-	-	-	-	-
87(3)	-	-	0	0	-	-	-	-
90 (Builders' buckets)	-	-	-	0	-	-	-	-
(Other buckets)	-	0	-	0	-	-	-	-
93(1)(a)	-	+	-	+	+	-	-	-
(b)(i) & (ii)	(Change in nomenclature; comparison difficult)							
93(2)	-	-	-	+	-	-	-	-
93(3)	0	0	-	-	0	-	0	-
94(1)	+	0	+	+	-	0	+	+
94(2)	+	-	+	+	-	0	+	+

¹ These 25 tariff numbers comprise 52 sub-items. The 24 items and sub-items not affected by any change as far as preferential margin is concerned are not included in this Table.

ANNEX I
(continued)

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<u>Tariff</u> <u>Item</u>	<u>Preference accorded to</u>				<u>South Africa</u>		<u>Australia</u>	
	<u>Commonwealth countries ex S.Africa/Australia</u>							
	<u>as compared with</u>							
	<u>S.Rh. Tariff</u> <u>Dominions UK</u>		<u>N.Rh. Tariff</u> <u>Dominican UK</u>		<u>S.Rh.</u>	<u>N.Rh.</u>	<u>S.Rh.</u>	<u>N.Rh.</u>
94(3)	+	0	+	+	-	0	+	+
98	+	1	+	+	1	1	+	+
99	-	-	-	0	-	-(Electric razors)	+	0
						(Other cutlery)	-	-
100(1)	0	0	-	-	0	-	0	-
101(2)	0	0	-	-	0	-	0	-
102(a))	Comparison of ad valorem rates as for 102(c) below.							
102(b))	Comparisons of specific rates impossible as no previous counterpart.							
(c)	-	-	-	+	-	-	-	-
103(b) (Engines for cars, boats and(c) lorries)	+	-	0	0	+	-	+	0
(for motor-cycles)	-	-	-	-	-	-	-	-
(for tractors, bulldozers, etc. & stationary engines)	+	+	+	+	+	+	+	+
106(1)	-	-	-	0	-	-	-	-
106(2)	-	-	-	0	-	-	-	-
107(4)	0	0	-	-	0	-	0	-
107(5)	-	-	0	0	-	0	-	0

¹ It has been impossible to make exact comparisons here as the former specific duty has been replaced by an ad valorem duty.

ANNEX II

Changes in Preferential Margins granted by the Union of South Africa to the Federation of Rhodesia and Nyasaland as compared with those on the Base Date for items contained in Consolidated Schedule XVIII

("0" = no change "+" = increased margin "-" = reduced margin)

Tariff Item	Annexure to the 1955 Trade Agreement	Southern Rhodesia	Northern Rhodesia (Non-conventional Area)	Conventional Area
5	A	0	0	+
8	A	0	0	+
15(i)	A	0	0	+
(ii)	A	+	0	+
15(d)	BI	0	0	0
17(a)	A	-	-	+
(b)	A	-	-	+
ex 18(1)	BI	+	0	+
22(a)(i)	A	0	0	+
28	A	-	-	+
30(a)(ii)	A	0	0	+
ex 30(b)	A	+	0	+
35(1)(a)	BI (Peas)	+	-	+
	A (Beans)	+	0	+
35(2)(a)	A	-	-	+
(b)	A	-	-	+
45(a)	BI	+	-	+
(b)	BI	-	-	0
ex 46(b)	BI	+	0	+
61(a)	BII	+	-	+
66(a)	BI	0	0	0
69(f)(i)	BII	+	+ or 0 ¹	+
70(a)	BII (Cotton socks)	+	-	+
76(a)(i)	BII	+	0 or -	+
(ii)	BII	+	0 or -	+
(c)(i)	BII	+	0 or -	+
99	BI	+	0	+
118(c)	BI	0	0	+
(g)	BI	-	-	+
123(a)	BI	+	0	+
131	BI	0	0	0
154(3)	BI	+	0	+
179(a)	BI	0	0	0
(6)	BI	0	0	0

¹ A strict comparison is not possible due to changes in notes, nomenclatures and content provisions in the Trade Agreement with the Federation. Therefore the indications of increases and decreases have to be considered as an indication only.

ANNEX II (Continued)

Tariff Item	Annexure to the 1955 Trade Agree- ment	Southern Rhodesia	Northern Rhodesia (Non- convention- al Area)	Conventional Area
210(a)(i)	BI	+	0	+
246(1)(a)	BI	0	0	0
251(b)(i)	BI	+	0	+
(ii)	BI	+	0	+
265 ex b	BI (Basket ware)	+	0	+
272 ex b	BI (Mouldings non- coniferous)	+	0	+
273(b)	BI	+	-	+
279(a)(ii)	BI	-	-	+
ex (b)	BI (non-coniferous)	+	0	+
304	BI	+	-	+