1924

E. AFRICA

C.O.
28972
18 JUN 24

COLONIAL OFFICE.

Date
17th June 1924.

170

On Circulation :—

Mr.

Mr.

Mr. Strachey

Asst. U.S. of S.

Perm^t U.S. of S.

Parl^y U.S. of S.

Secretary of State.

CUSTOMS UNION.

Minutes formulating request that memo be furnished showing how Customs Union would operate respecting (a) Relief from double duty on re-export of broken bulk goods; (b) keeping of statistics for allocating revenue; (c) allowance (in case mentioned under (a) $ to, eg. T.T. of duty calculated on basis of 2/3rds of value.

Previous Paper

Gov 23378 ~~H.~~ 24 EA

MINUTES

18 June

Mr Walsh's letter of 23 June & memo: attached. I have not been able to place them before them.

The memo: is clear and to my mind convincing, but his remarks on entrepôt trade in T.T. does not quite cover the point raised in the last part of my letter of 17 June, which deals with local trade in T.T. (not entrepôt). But I confess that I do not see Sir H. Byatt's point that the small

To Walsh (30) 17 June/24 con

To Gov. T.T.
" Uga } Conf. 25 Jan 25
" Kenya

6 APR 1926

Subsequent Paper

Gov. 31187/24 E.A

5122 Cust. Union

12811 18624/27 66,000 11/23—McC—E 253

MINUTES.	MINUTES NOT TO BE WRITTEN ON THIS SIDE.

trader ~~[illegible]~~ in T.T. would
suffer: his present sources of
supply would continue and,
if the Mombasa merchant
benefited by competition
with ~~[illegible]~~ the present sources
of supply should help
the small man.

[Held over for completion
of file, which returned to
me 14/7].

I see from 23378 that
the anomaly has been
removed.

As Sir H. Byatt is
out of the picture I am
not sure what it is
best to do now — whether
to keep for discussion
with the new Governor or
to send copies of the
minutes to the three Govts.

The former, I think

W.C.B. 14.7.24

S.C. [illegible] 15/7/24

(2 typed copies below)

Memorandum

Re-export Trade between Kenya, Uganda & Tanganyika.

189

Re-export traffic between Kenya, Uganda & Tanganyika Territory is conducted almost entirely through the following channels:-

1. Seaborne trade principally between Mombasa and the Tanganyika ports of Tanga, Dar es Salaam, Kilwa, Lindi & Mikindani

2. Via the Voi-Moshi Railway

3. Through ports on the Victoria Nyanza.

Re-exports may be divided into four main classes viz:-

(a) Re-exports from bonded warehouses

(b) Re-exports of unbroken packages upon which drawback is payable

(c) Re-exports of unbroken packages upon which no drawback is payable i.e. consignments re-exported more than 12 months after original payment of duty & consignments upon which the duty originally paid was less than £3.

(d) re-exports of broken-bulk packages including small consignments re-exported through the medium of the parcels post.

Under existing conditions Tanganyika Territory is treated as a foreign country for purposes of Customs & re-exports from Kenya or Uganda to that territory are subject to precisely the same formalities as are re-exports to Zanzibar, Italian Somaliland or any other destination beyond the frontiers of Kenya & Uganda. Similarly these goods on importation into Tanganyika are treated as arriving from a foreign country & the proper import duty chargeable thereon is imposed this being based on the landed value at the port of final

Copy sent Kenya } Conf. 28 Jan '25 EA
Copy OAS TT } Uga
8 July DOT - 21 Apl 2 Sep 204/25
[illegible]

(2 typed copies below)

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189

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See Kenya Conf. 28 Jan 25
Copy OAS T.T.
Uga. 21 Feb
DOT 6 Feb
EA 51112/25 T.T.

be abolished or extended to cover re-exports of all descriptions.

(c) (ii) Other goods. Procedure similar to that described in (b) above. In the case of broken-bulk stocks the exporter is often not in a position to make a statutory declaration as to landed cost as he is not in possession of these particulars & the original importation cannot be traced in the Customs records. As a general rule the value given on the relative re-export entry is therefore of necessity the actual retail value at the time of export, which figure naturally includes duty (20%) & local profit. Two thirds of this declared value is suggested for this reason as a fair proportion on which to base the duty to be credited to the consuming territory. So far as goods chargeable with a specific duty are concerned, the actual amount of duty originally paid can be ascertained without difficulty.

7. By the adoption of the method suggested above, virtual free trade between the territories would result & one of the main objects of an identical tariff would be achieved. The free ~~circulation~~ interchange of local produce has already had a stimulating effect on Kenya-Uganda-Tanganyika trade & it cannot be doubted that a further lowering of the Customs barriers between the three territories would be of very great assistance to merchants trading in the dependencies as not only would the vexatious system of double payment of duty (with refunds in certain cases) be superseded but the scope of local trading operations would be largely extended.

8. Under the existing system there are many anomalies & irregularities which call for removal as the following illustrations will show:-

(a) Re-exported goods liable to a specific duty are cleared at a fixed rate whereas goods liable to duty on an ad valorem basis are penalised by the addition of local profits & charges. Thus, duty on unbleached cotton piece goods is assessed at the rate of cents 40 per lb irrespective of any local operations whilst the duty on bleached piece goods (20% ad val.) is increased by the addition to first cost of local charges.

(b) A merchant removing goods from the Kampala Bonded Store pays duty on the landed cost Kilindini whereas a merchant taking delivery of goods from Customs at the neighbouring port of Bukoba pays duty on the cost of the goods landed in Bukoba.

(c) Wholesale merchants may take full advantage of the regulations governing drawback whilst retail traders carrying small stocks are often unfairly penalised by being forced to pay duty twice.

By the adoption of the system suggested these anomalies would be removed.

Apart from Zanzibar trade the main bulk of the import traffic is undoubtedly from Kenya to Tanganyika Territory & for this reason most of the clerical work in connection with the allocation of revenue to the consuming territory must fall on Kenya although Tanganyika will at all times have sufficient evidence to verify the correctness of the ~~particulars recorded~~ by the goods themselves & the supporting copy of the relative entry. By abandonment of the present system, however, it is anticipated that the total amount of work to be undertaken by the Cust. Dept of Kenya will not be largely increased & that no addition to the staff will be required.

It is clear that

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102

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10. As regards the probable results of the adoption of this system a certain immediate loss of revenue is inevitable in that to Kenya by allocation to Tanganyika of duty on [illegible] stocks on which duty is now collected there and to Tanganyika in respect of duty on local charges [illegible]. In neither case is the amount very considerable and in my opinion any immediate loss will be more than counterbalanced by improved trade following upon the removal of local trading restrictions. If, as I understand, the Kenya Government is willing to face the loss, the Tanganyika Territory Government should also be prepared to do so as Kenya would benefit only by improved facilities for trading whereas traders and consumers in Tanganyika would reap immediately the full benefit of the suggested remission of duty.

11. It has been suggested that the adoption of this modified system of free trade will have an adverse effect on the establishment of an entrepôt trade in Tanganyika, but I submit that a healthy trade of this description should not and in fact cannot be built up by the erection of Customs barriers. Such facilities for distribution depend largely on geographical situation and the profitable holding of varied classes of goods appears to be the principal factor required for the furtherance of this trade and in these respects Zanzibar is and always must be more favourably situated than any port in Kenya or Tanganyika so far as trading along the coast is concerned. But it is highly improbable that free trading between the territories would have the result of centralising at Mombasa stocks required for the area served by the Tanganyika Central Railway or that Dar es Salaam would become the distributing centre for Kenya and Uganda

In my view the only result would be the placing of distributing centres at the most economical points with increased facilities for trading in the case of those merchants in Tanganyika who are not able to hold large stocks until an improvement in the trade of that territory justifies their doing so, or find it more convenient at the present time to pay a middleman's profit & extra freight & other charges rather than lock up capital in slow-selling stocks.

...pstid
...lete amalgamation
...Customs
...d

12. Although I am strongly in favour of the scheme outlined above I desire it to be understood that this does not affect in any way my firm conviction that the best interests of the three territories would be served by a complete amalgamation of the Customs Departments of Kenya Uganda & Tanganyika Territory. From identical tariffs, free interchange of local products and virtual free trade between the territories to complete amalgamation ~~[illegible]~~ is a small and but very important step as uniformity of practice regarding such matters as tariff interpretation, forms of entry, Departmental regulations & general Customs management is impossible without a central control & this uniformity is essential if the closest possible trade relations between the territories are to be established.

Geoffrey Walsh

Commissioner of Customs

Kenya & Uganda

London

23 June 1924

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[illegible signature]

Commissioner of Customs
Kenya & Uganda

London
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ORANDUM.

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Kenya, Uganda and Tanganyika.

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1. Re-export traffic between Kenya, Uganda and Tanganyika Territory is conducted almost entirely through the following channels:-

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3. Under existing conditions, Tanganyika Territory is treated as a foreign country for purposes of Customs and re-exports from Kenya or Uganda to that territory are subject to precisely the same formalities as are re-exports to Zanzibar, Italian Somaliland or any other destination beyond the frontiers of Kenya and Uganda. Similarly, these goods on importation into Tanganyika are treated as arriving from a foreign country, and the proper import duty chargeable thereon is imposed, this being based on the landed value at the port of final importation

allowed and the goods are thus charged with duty twice viz on original importations into Kenya and again on importation into Tanganyika. To avoid this double charge goods are not infrequently shipped to Zanzibar and reimported into Kenya, thereby securing an extension of the time allowed for drawback.

(d) Procedure similar to (c) above.

teration of stem proposed.

5. Under the proposed system of modified free trade it is suggested (1) that duty should be assessed on the landed value at the port or place of first importation into either Kenya or Tanganyika and (2) that the duty should be collected once only, this duty being allocated by formal entry through the respective Treasuries to the territory in which the goods are actually consumed.

posedmethod putting new tem into ration.

6. The method of putting this suggestion into practice would be roughly as follows:-

(a) Warehoused goods. No alteration in existing practice except that goods destined for ports such as Mwanza or Bukoba would be assessed for duty on their value landed at the coast and not on their landed value at Mwanza or Bukoba as at present.

(b) Goods now subject to Drawback. Reexport entries would be required as at present and power to insist on statutory declarations of values etc. must be retained but as single payment of duty only would be made, the cumbersome machinery necessary for the verification and payment of refunds could be discarded and the staff so released could be utilized for the preparation of monthly returns showing accurately all particulars concerning reexports to Tanganyika and the amount of duty to be credited to that territory. The question as to whether or not administration fees should be charged is one for discussion but in my view they should be waived and in any case they must either be abolished or

extended

extended to cover re-exports of all descriptions.

(c) & (d) Other goods. Procedure similar to that specified in (b) above. In the case of broken-bulk stocks the exporter is often not in a position to make a statutory declaration as to landed cost as he is not in possession of these particulars, and the original importation cannot be traced in the Customs records. As a general rule the value given in the relative reexport entry is therefore of necessity the actual retail value at the time of export, which figure naturally includes duty (20%) and local profit. Two thirds of this declared value is suggested for this reason as a fair proportion on which to base the duty to be credited to the consuming territory. So far as goods chargeable with a specific duty are concerned, the actual amount of duty originally paid can be ascertained without difficulty.

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7. By the adoption of the method suggested above virtual free trade between the territories would result and one of the main objects of an identical tariff would be achieved. The free interchange of local produce has already had a stimulating effect on Kenya, Uganda, Tanganyika trade and it cannot be doubted that a further lowering of the Customs barriers between the three territories would be of very great assistance to merchants trading in the dependencies as, not only would the vexatious system of double payment of duty (with refunds in certain cases) be superseded, but the scope of local trading operations would be largely extended.

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By the adoption of the system suggested, these anomalies would be removed.

9. Apart from Zanzibar trade, the main bulk of the import traffic is undoubtedly from Kenya to Tanganyika Territory and for this reason most of the clerical work in connection with the allocation of revenue to the consuming territory must fall on Kenya, although Tanganyika will at all times have sufficient evidence to verify the correctness of the particulars forwarded viz: the goods themselves and the supporting copy of the relative entry. By abandonment of the refund system, however, it is anticipated that the total amount of work to be undertaken by the Customs Dept. of Kenya will not be largely increased and that no addition to the staff will be required. This being so it is clear that no addition to the Customs staff of Tanganyika should be necessary.

...cipated ...ults from ...tion of ...osed altera-tion.

10. As regards the probable results of the adoption of this system, a certain immediate loss of revenue is inevitable (a) to Kenya by allocation to Tanganyika of duty on broken bulk stocks &c upon which duty is now collected twice and (b) to Tanganyika in respect of duty on local charges and profits. In neither case is the amount very considerable and in my opinion any immediate loss will be more than counter balanced by improved trade following upon the removal of local trading restrictions. If, as I understand, the Kenya Government is willing to face the loss, the Tanganyika Territory Government should also be prepared to do so as Kenya would benefit only by improved facilities for trading whereas traders and consumers in Tanganyika would reap immediately the full benefit of the suggested remission of duty.

...repôt ...de.

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(SD.) GEOFFREY WALSH.
Commissioner of Customs
Kenya and Uganda.

LONDON
23rd June 1924.

17 June, 1924.

Dear Mr. Walsh,

I have been thinking over our talk about the East African Customs Union question, and I have decided to ask if you can, without too much trouble, give us a memorandum (which we can use as an official paper if necessary) showing how you think the Customs Union would operate so far as the principal points are concerned. These are

(a) Relief from double duty on re-export of broken bulk goods from (e.g.) Kenya to Tanganyika.

(b) Keeping of statistics for the purpose of allocating revenue, and

(c) Allowance (in the case mentioned under (a)) to Tanganyika of duty calculated on a basis of 2/3rds of the Value.

As to (b) I understood you to say that statisti

sufficient

GEOFFREY WALSH, ESQ.,

sufficient for this purpose can be compiled simply from steamer and railway way-bills, and that little or no special staff is required. This from the point of view of economy is important, and it will be useful if you can elaborate it in your memorandum.

As to (c) I had not previously gathered that the reason for choosing 2/3rds was that the value has gone up before the re-exported goods have reached (say) Dar-es-Salaam, owing to the profit of the first African importer being added to the price, and that the 2/3rds duty thus represents (perhaps roughly) what Tanganyika would have got in duty if the goods had been imported direct. The point is so material that, in this case too, it will be very useful if we can have it explained in your own words.

The last point which we discussed was the effect on Tanganyika trading if this customs obstacle to re-export trade were removed. On this I think you pointed out that, even without that obstacle, the re-export trade would still be at a disadvantage

as

as compared with direct importation because it has to bear an additional profit. I do not see any answer to that, but, here again, a direct statement of your views will be more useful than my version of them. On all these points, indeed, my letter is simply intended to show as clearly as I can what the difficulties are which we have had to consider.

Yours Sincerely,

(sd) W. C. Bottomley.

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Yours Sincerely,
(sd) W. C. Bottomley.

[illegible]
9 [illegible]
W.8

18 June 1944.

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[illegible]

Dear Mr. Bottomley,

Thank you for your letter of yesterday. As you suggest I will prepare a memorandum on the Kenya-Tanganyika rescript question & will send it to you in the course of the next few days.

I am very sorry to find that I shall be unable to attend the Corona Club dinner tomorrow.

Yours sincerely,

Geoffrey Walsh

I shall be in London until the end of July & can see you practically at any time if there are any matters concerning my dept on which you require first hand information. G.

Bottomley +

20/6

18

Hook please

[illegible] 21/6

9 Meadway
Golders Green
NW 11

23 June 1924.

135

Dear Mr Bottomley,

I now enclose a memorandum on the reexport traffic of Kenya – Uganda – T.T. & hope that it will meet your requirements. I must apologise for the delay in sending them to you but a sudden call into the country last week prevented me from preparing it until today. I have not detailed the actual form which the proposed monthly statements of reexports would take as I have attempted to avoid technicalities & agreement on the matter between the two Depts has already been reached but if you wish I can of course let you have full particulars.

If by any chance you are having this memorandum typed I should be very grateful if you could let me have two carbon copies for the Departmental files as I have only a rough draft & cannot obtain the use of a typewriter.

Yours sincerely

Geoffrey [illegible]

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Geoffrey Walsh

CO/28972/24 EA

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~~DRAFT~~ 17 June 1924.

C. D.
R 17 JUN
D. 17

Dear Mr. Walsh

DRAFT.

Geoffrey Walsh Esq.

MINUTE.

Mr. Bottomley 16/6/24

Mr.

Mr.

Sir C. Davis.

Sir G. Grindle.

Sir H. Read.

Sir J. Masterton Smith.

Lord Arnold.

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(... to ... fishermen ...)

DRAFT.

197

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(Sd) W. C. Bottomley