

GENERAL AGREEMENT ON TARIFFS AND TRADE

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AUSTRALIAN TREATMENT OF PRODUCTS OF PAPUA - NEW GUINEA

Statement submitted by the Australian Delegation

1. In the light of experience since Australia became a party to the GATT the Australian Government has reached the conclusion that it requires a much greater measure of freedom than GATT affords to enable it to adopt, when necessary, special measures designed to provide Papua and New Guinea with an assured market in Australia for its products.
2. The Territory of Papua and New Guinea is an Administrative Union consisting of the Territory of Papua (an Australian possession) and the Territory of New Guinea (a Trust Territory administered by Australia under agreement with the United Nations). The Territory has an area of 183,000 square miles and is extremely rugged and totally undeveloped in the European sense. The bulk of the indigenous inhabitants numbering approximately $1\frac{1}{2}$ million depends on a primitive shifting subsistence-level agriculture. The Territory was the scene of major hostilities during the recent war and towns, villages and installations suffered much destruction.
3. Australia, particularly since the end of the war, has given the Territory substantial aid in the form of financial and technical assistance. Commonwealth grants now approximate £A6 millions per annum. The Government's activities could be summarised under four headings:-
 - (a) Recompense to both natives and non-natives who suffered from war damage (approximately £A10.5 million)..
 - (b) Vigorous policies for the improvement in the welfare of the natives in the fields of health and education and by assistance towards increased living standards by improved agricultural practices.
 - (c) Acceleration of economic development by encouraging cash crops and co-operative marketing in the field of native production and by assisting in the production of new crops, the long-term prospects of which appear to be sound.
 - (d) Assistance in the provision of markets.
4. All these activities have been pursued in accordance with the principles enunciated in Chapters XI and XII of the United Nations Charter.

5. The territory is adjacent to Australia and Australia is its most accessible market and, for many products, its only market.

6. Before the operation of the GATT it was the practice of successive Australian Governments to encourage production in the Territory to assist producers to market their products in Australia by extending them exclusive preferences or import subsidies, where necessary, on the very limited range of products produced in the Territory. This extension of preferences and import subsidies was a gradual process in the sense that additional products were added from time to time when it appeared that these special forms of assistance were necessary to foster production within the Territory of a product not hitherto produced there.

7. Experience since Australia joined the GATT has shown that its provisions operate to thwart the policy of the Australian Government in the matter of promoting the development of Papua and New Guinea - a policy intensified since the war in the light of the world-wide increased recognition of the need to advance the under-developed territories. A number of factors contribute in retarding the achievement of this policy. If the area is to be developed new capital must be attracted to it. Also local labour and capital resources must be given sufficient incentive to produce commodities for which there are reasonably sound market prospects.

8. As the Territory is a tropical area, the major field of potential development is in tree crops. In many plantation industries, no return on capital outlay can be expected for several years until the plantation reaches the productive stage. Enterprise naturally hesitates to embark on the heavy capital outlay involved in the extensive clearing of the jungle, the long period of development until the plantation comes into production, and the erection of processing plant unless it can first obtain reasonable assurances covering the marketing of the product. This applies equally to new plantations, the replanting and reopening of war-damaged or over-age plantations and plantings by the natives.

9. Before the operation of the GATT, the Australian Government was free to give such assurances to potential producers as the circumstances required. This situation no longer obtains. The Government now finds that its ability to provide the form of assurance which it is necessary to give to attract potential producers, or to increase established production is dependent not only upon the willingness of other parties to the GATT to grant a waiver, but also upon their willingness to grant a waiver in terms which afford acceptable assurances to potential producers or investors. In practice, this uncertain element in the situation operates to discourage enterprise and an increase in production in the Territory. Indeed, production in the Territory has not yet reached the pre-war level.

10. Papua and New Guinea constitute a separate customs territory. The tariff of the Territory is a low tariff of the revenue raising type. It is completely non-discriminatory in its incidence. The provisions of the GATT require

Australia to apply to the products of the Territory entering Australia the same treatment (other than in respect of existing preferences) as is applied to like products imported from other sources. The difficulties which the Australian Government is experiencing in promoting development in the Territory would be substantially mitigated if Papua and New Guinea were incorporated into the Customs Territory of Australia. In these circumstances, Australia would enjoy a greater measure of freedom under the GATT to apply and operate special measures to assist development in Papua and New Guinea.

11. The incorporation of Papua and New Guinea into the Customs Territory of Australia has been considered during the course of a public enquiry. However, the Government decided not to pursue such a course for the time being.

12. It is the policy of Australia to assist development of industries in the Territory in the same way as it assists their development in the States comprising the Australian Federation and the Mainland Territory (Northern Territory) included in the Australian Customs Territory, and various methods of giving practical effect to this policy have been examined.

13. In the view of the Australian Government, this policy can only be carried into effect on a sound long-term basis which is essential to encourage developmental activities if Australia is in a position to extend to the industries of the Territory the same forms of assistance as it extends to industries located within the Australian customs area.

14. The Australian Government desires a waiver from the provisions of GATT to enable this to be done. In effect, it requires a waiver which will permit the application of the principles of a free trade area on a one way basis. Such a waiver would enable Australia to concede to the Territory of Papua and New Guinea the benefits of a free trade area in respect of Territory products without receiving the benefits of a free trade area for Australian products imported into Papua and New Guinea.

15. The Australian Government has been encouraged to seek this general waiver in the light of the CONTRACTING PARTIES' recognition of the need for waivers in the case of United States Trust Territories in the Pacific, the Italian treatment of Libyan products and the European Coal and Steel Community.