GENERAL AGREEMENT ON TARIFFS AND TRADE

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Working Party on Australia/Papua-New Guinea

# AUSTRALIAN REPORT UNDER THE DECISION OF 24 OCTOBER 1953 AND REQUEST FOR WAIVER IN RESPECT OF CERTAIN FORESTRY PRODUCTS

## Draft Report

1. The Working Party has examined the Second Annual Report submitted by the Government of Australia under the CONTRACTING PARTIES' Decision of 24 October 1953, permitting Australia to grant, or continue to grant, duty-free treatment to primary products of Papua-New Guinea, and the request by the Government of Australia for authority to grant similar treatment to certain forestry products.

2. The Working Party first examined the request for a new waiver. The Australian representative explained that his Government, in view of its responsibilities under its Trusteeship Agreement for the Territory of New Guinea, desired to grant special advantages in the Australian market for certain products of the Papua-New Guinea forestry industry as a measure designed to promote the economic development of the Territory. This industry was still relatively undeveloped, and to encourage capital investment it was necessary to provide some assurance of a market for the products. The growth of the industry would inevitably be slow and probably some years would pass before there could be any substantial volume of exports. It was also unlikely that imports from the Territory would be appreciable relative to total imports, because Australian imports consisted predominantly of softwoods of the kind which did not grow in either the Territory or Australia; therefore the effect on the trade of other contracting parties was expected to be negligible.

3. Under the Decision of the Eighth Session, Australia was precluded from according exemption from customs duties to the products specified in the request because some of them might not be classifiable as "primary products" and, secondly, the Decision did not cover items on which Australia had granted tariff concessions under the General Agreement. Accordingly, the Government requested a waiver to cover those forestry products, the subject of tariff concessions under the GATT, of which there might be a development of exports to the Australian market, namely unsawn logs, dressed and undressed timber and veneers.

4. The Working Party considered this request in the light of the desirability of enabling the Australian Government to take exceptional measures to promote the development of the forestry industry in Papua-New Guinea and their possible effects on the trade of other contracting parties. In fact, the influence on trade has already been the subject of consultation between the Australian delegation and the delegations of several contracting parties likely to be affected. Members considered that the economic development of this primitive

territory was a desirable objective. The Australian Government was prepared to accept a commitment to enter into consultations with any contracting party which considered that its commercial interests were adversely affected by action under the proposed waiver, and that the matter could be referred to the CONTRACTING PARTIES in the event of no satisfactory settlement being reached. On this basis, the Working Party agreed to recommend that the CONTRACTING PARTIES grant Australia authority to accord duty-free treatment to specified forestry products from Papua-New Guinea provided that provision is made for consultation at any time by any contracting party which considers that its commercial interests are being or are likely to be materially damaged with a view to reaching satisfactory adjustment or appropriate compensation, and provided also that the binding of rates of duty in the Australian Schedule remain subject to the provisions of the General Agreement.

5. The Working Party then examined the Second Annual Report submitted by the Government of Australia under the Decision of 24 October 1953 and noted that duty-free treatment had been accorded to a fixed annual quantity of plywood from Papua-New Guinea. Members recalled that same question had been raised at the meeting of the CONTRACTING PARTIES as to whether plywood was a "primary product", but it had seemed agreed that the action taken was fundemantally in accord with the objectives of the Decision of 1953. Considering these circumstances, the Working Party did not believe it would be profitable or necessary to try to determine the consistency or inconsistency of the action on plywood with the terms of the Decision. In order to remove any uncertainty which might arise because of the "primary product" limitation, the Working Party agreed to recommend that plywood, which is not the subject of a tariff concession under the Australian Schedule, be specifically included among the forestry products in the proposed new waiver, it being understood that no further increase in the preferential margin, by raising the most-favoured-nation rate of duty on imports of plywood, was contemplated.

6. The following draft decision, which includes a list of the products to which the waiver would apply, is recommended for adoption by the CONTRACTING PARTIES.

## SPECIAL CUSTOMS TREATMENT ACCORDED BY AUSTRALIA TO CERTAIN FORESTRY PRODUCTS OF PAPUA-NEW GUINEA

### Decision of November 1955

WHEREAS the CONTRACTING PARTIES decided on 24 October 1953 that, subject to certain conditions and procedures, the provisions of paragraphs 1 and 4(b) of Article I of the General Agreement should be waived to the extent necessary to permit the Government of Australia to grant or continue to accord duty-free treatment to primary products of Papua-New Guinea, not then specified in Schedule I to the General Agreement, without regard to the rates of duty applicable to like products of any other contracting party;

HAVING RECEIVED from the Government of Australia a request for authority to grant duty-free treatment to imports from Papua-New Guinea of certain forestry products which might not be classifiable as "primary products" and/or which are specified in Schedule I;

TAKING NOTE of the obligations of the Government of Australia as Trustee for the Trust Territory of New Guinea;

CONSIDERING that a prerequisite for further investment of capital in the forestry industry of the Territory of Papua-New Guinea is the reasonable assurance of a market in Australia for the products of that industry; and

CONSIDERING the assurances given by the Government of Australia that the action authorized by this waiver is intended to assist the economic development of Papua-New Guinea without causing material injury to the competitive trade of any other contracting party and without protecting domestic production in Australia;

The CONTRACTING PARTIES, acting pursuant to Article XXV;5(a) of the General Agreement,

DECIDE that:

1. Subject to the provisions of paragraphs 2 and 3 of this Decision, the provisions of paragraphs 1 and 4 (b) of Article I of the General Agreement shall be waived to the extent necessary to permit the Government of Australia to grant duty-free treatment to the products of Papua-New Guinea listed in the Annex to this Decision upon their importation into Australia without obligation to extend the same treatment to the like products of the other contracting parties.

2. The Government of Australia shall, at any time upon request, promptly enter into consultations, with a view to arriving at a mutually satisfactory settlement or compensatory adjustment, with any contracting party which considers that action under paragraph 1 is causing, or is likely to cause, material damage to its commercial interests. If such consultations do not result in a mutually satisfactory settlement or adjustment, the contracting party affected may refer the matter to the CONTRACTING PARTIES which shall promptly investigate any matter so referred to them and shall make appropriate recommendations to the contracting parties which they consider to be concerned. If the CONTRACTING PARTIES consider that the circumstances are serious enough to justify such action, they may authorize a contracting party or parties to suspend the application to the Government of Australia of such obligations or concessions under the General Agreement as they determine to be appropriate in the circumstances.

3. In the event that the underlying economic factors affecting the production and trade of the Territory should change so that the special treatment authorized by this Decision should result or threaten to result in substantial injury to the competitive trade of any contracting party, the CONTRACTING PARTIES, upon request of any affected contracting party, shall review this Decision in the light of all relevant circumstances.

## ANNEX

## SCHEDULE OF PRODUCTS TO WHICH THE GOVERNMENT OF AUSTRALIA IS AUTHORIZED TO GRANT DUTY-FREE TREATMENT WHEN OF PAPUA-NEW GUINEA ORIGIN

| Australian Customs Tariff Nos. | Description of products |
|---|---|
| 291 (C) | Logs, not sawn, viz.:<br>(2) Other -<br>(b) not elsewhere included<br>(2) Other |
| 291 (H) | Timber, undressed, not elsewhere included. |
| 291 (J) | Timber for making boxes, being cut to size, and dressed or partly dressed |
| 291 (M) | Plywood including plywood veneered with any material:<br>(i) Not exceeding three-sixteenths of an inch in thickness:<br>(ii) Exceeding three-sixteenths of an inch in thickness but not exceeding seven-eighths of an inch<br>(iii) Not elsewhere included |
| 291 (N) | Veneers |
| 293 (A) | Timber, undressed, in sizes less than 7 feet 6 inches x 10½ inches x 2½ inches for use in the manufacture of doors, as prescribed by Departmental by-laws. |