

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/4519

1 July 1977

Limited Distribution

Original: English

PAPUA NEW GUINEA/AUSTRALIA FREE TRADE AREA

Questions and Replies

Contracting parties were invited in GATT/AIR/1357 to submit to the secretariat any questions they might wish to pose on the provisions and implementation of the Agreement on Trade and Commercial Relations between the Governments of Australia and Papua New Guinea (L/4451/Add.1). In response to that invitation, a number of questions were received and transmitted to the Australian authorities. The questions and the replies received are set out below.

I. GENERAL QUESTIONS

Question 1

Has the agreement been implemented? If not, when will it be implemented?

Reply: The Papua New Guinea/Australia Trade and Commercial Relations Agreement entered into force on 1 February 1977 by an exchange of notes between the two countries.

Question 2

While Article 3 of the Agreement states that a Free Trade Area has been established between Papua New Guinea and Australia, "agreed minutes" appended to the Agreement suggest that Papua New Guinea will not be required to give reverse preferences. Would parties to the Agreement clarify whether or not Papua New Guinea will give reverse preferences?

Reply: Pursuant to Article 3, both countries are required to eliminate duties or other restrictive regulations of commerce on all goods which do not fall within the provisions of Article 5 of the Agreement and are accordingly listed

in the Schedules to the Agreement. In the case of Papua New Guinea, the goods which are excepted from Article 3 provisions are those goods to which a rate of duty or some other restrictive regulation of commerce applies when they are imported into Papua New Guinea from all sources. The Government of Australia has indicated that, provided the Papua New Guinea Government does not discriminate against it in favour of third countries it will, consistent with Part IV of the GATT, not require Papua New Guinea to grant Australia reverse preferences in respect of goods which are excepted from Article 3 provisions.

Question 3

If Papua New Guinea is not required to give reverse preferences to Australia, the Agreement would appear to consistute less than a Free Trade Area in terms of GATT Article XXIV. We note, in fact, that Australia has not invoked Article XXIV in presenting the Agreement to the CONTRACTING PARTIES (document L/4451, 6 December 1976). Is it the intention of the Parties to establish, consistent with Article XXIV, a plan or schedule leading to a Free Trade Area or Customs Union?

Reply: Whilst, as indicated above, Papua New Guinea does not grant reverse preferences to Australia, those goods which are, in fact, excepted from Article 3 treatment pursuant to the Agreement amount to only a small proportion of the goods imported into Papua New Guinea from Australia. Only a very small proportion of the goods entering Australia from Papua New Guinea are subject to duties and other restrictive regulations of commerce. Accordingly, since substantially all the trade between the two parties to the Agreement is free of duties and other restrictive regulations of commerce, it is considered that the Agreement conforms to the provisions of Article XXIV regarding free-trade areas. As noted in Article 3, the Agreement establishes a free-trade area from its commencement.

It is the view of the two parties that the Agreement will continue to be consistent with the requirements of the provisions of Article XXIV. Accordingly, it is not intended to establish a plan or schedule leading to a free-trade area.

II. TRADE COVERAGE

Question 4

Prior to implementation of the Agreement what percentage of Australian exports to Papua New Guinea entered duty free? What percentage of Papua New Guinea's exports to Australia entered duty free?

<u>Reply:</u> 1974/75	76.9 per cent of Australian exports entered Papua New Guinea duty free.
1974/75	94.5 per cent of Papua New Guinea's exports entered Australia duty free.

Question 5

Under the Agreement what percentage of Australia's exports to Papua New Guinea will enter duty free? What percentage of Papua New Guinea's exports to Australia will enter duty free?

Reply: Under the Agreement: 99.4 per cent of Papua New Guinea's exports to Australia will be duty free.
: 76.9 per cent of Australian exports to Papua New Guinea will be duty free.

Question 6

What percentage of Australian imports from Papua New Guinea enter duty free as a result of the Agreement?

Reply: 99.4 per cent.

III. SCHEDULES OF EXCEPTED GOODS

Question 7

Do the parties to the Agreement have any intention of according duty-free treatment to the products at present excluded from the coverage of the Agreement? If so, on what schedule?

Reply: Article 22 of the Agreement requires that there be periodic consultation between the member States for the purpose of reviewing the operation of the Agreement. These consultations will take place annually. It is the intention of the two member States to review at such consultations all the provisions of the Agreement including the Schedules in the light of the Agreement's operation and the prevailing economic circumstances at the time and to make such amendments as are feasible and appropriate. Schedules A, B and C to the Agreement list those products which are at present subject to duties and other restrictive regulations of commerce between the two member States.

The first such review will be conducted in the week commencing 15 August 1977 and should it result in any such amendments, these will be transmitted to the CONTRACTING PARTIES.

Question 8

Notwithstanding the provisions of Article 3 of the Agreement, the Parties to this Agreement specified a considerable number of goods in Schedule A and Schedule C. Do the Parties to this Agreement have any concrete plan to reduce the numbers of such excepted goods in the spirit of expanded and freer trade?

Reply: As indicated in the statistics provided, in answer to Question 4, the goods so listed represent a very small proportion of the trade between the two countries. As noted in the reply to Question 7 above the member States will, from time to time, be reviewing the operation of the Agreement including the schedules which list products at present excluded from duty-free treatment. This will be done in the spirit of the objectives of the Agreement set out in Article 2 which include, inter alia, the expansion and diversification of trade between member States.

Question 9

The Parties to this Agreement do not specify any goods in Schedule D. Do the Parties to this Agreement plan to designate any goods to Schedule D?

Reply: There are no plans at this time.

Question 10

Article 5, with specifics outlined in appended Schedules A, B, C and D, provides for an exception to Free Trade Provisions of the Agreement under certain conditions. Is the content of Schedules A, B, C and/or D subject to amendment and, if so, how and under what conditions?

Reply: Pursuant to Article 22, the Schedules of the Agreement may be amended at any time by mutual consent of the member States. If, as a result of the operation of Article 3 of the Agreement, goods specified in the attachment to the Agreed Minutes are being imported into Australia from Papua New Guinea in such quantities or under such conditions as to cause or threaten serious injury to an industry producing like or directly competitive goods, the Australian Government may, as an alternative to taking action under Article 9 of the Agreement, vary Schedule A to the Agreement by the listing therein of the goods concerned, and the Papua New Guinea Government will be deemed to have consented to that variation.

Question 11

Are there provisions to ensure that the balance of rights and obligations under the Agreement is maintained if the scope of the Schedules referred to in Question 10 above is altered?

Reply: As indicated in answer to Question 10, the Schedules can be amended by mutual consent. Subject to the proviso set out in answer to Question 2, Australia will not object when the Papua New Guinea Government wishes to take action to expand the list of products included in Schedule C. In turn, Australia will not require reciprocal treatment should it decide to delete items from Schedule A or to discontinue action under paragraph 10 of the Agreed Minutes.

IV. ASSOCIATION WITH THE AGREEMENTQuestion 12

Article 23 of the Agreement stipulates association with the Agreement. Will the Parties to this Agreement accept association of whichever country that desires to do so?

Reply: Pursuant to Article 23, member States may agree to association of another State with the Agreement. The question of association of any other State would be a matter for negotiation. Consideration of whether association will be granted would be given at the time of such negotiations in the light of the objectives of the Agreement and the prevailing economic circumstances at the time.

V. TRADE FIGURESQuestion 13

Figures of the most recent years, where statistics are available, on the following matters are requested.

- (i) Amount of global imports and exports of the respective Parties.
- (ii) Amount of total imports and exports between Australia and Papua New Guinea.
- (iii) With respect to Australia:
 - (a) Amount of imports of the products listed in Schedule A.
 - (b) Amount of total imports of the products listed in Schedule B.

(iv) With respect to Papua New Guinea:

Amount of total imports of the products listed in Schedule C.

Reply: (i) (a) Global Papua New Guinea exports 1974/75 K402,560,000
Global Papua New Guinea imports 1974/75 K357,395,000

(Source: Papua New Guinea National Investment and Development
Authority - Investors Guide to Papua New Guinea)

(b) Total Australian exports in 1974/75 were \$A 8,726M

Total Australian imports in 1974/75 were \$A 8,080M

(ii) Australian exports to Papua New Guinea 1974/75 \$A 193,806,000

Australian imports from Papua New Guinea 1974/75 \$A 34,179,000

(iii) (a) \$A 32,590 - 1974/75

(b) \$A 2,552,974 - 1974/75

(iv) K52, 515, 708 - 1974/75