1. This report is submitted in accordance with the Decision of the CONTRACTING PARTIES of 24 October 1953 by which the Government of Australia is required to report annually to the CONTRACTING PARTIES on the measures taken under that Decision and on the effects of those measures on the trade of Papua-New Guinea and on imports of the products affected from all sources into Australia (Basle Instruments and Selected Documents, Second Supplement, page 18).

Measures taken

2. To date the waiver has been invoked on one occasion only. On 27 May 1955 the Australian Government introduced a tariff proposal to admit plywood from Papua and New Guinea duty free into Australia up to an amount of 12,000,000 square feet (3/16 inch basis) per annum. In accordance with the terms of the waiver, the CONTRACTING PARTIES were secretly notified of this proposal before the action was taken and they were also informed immediately after the tariff change became effective (SECRET/41 and L/361).

3. The rates of duty previously payable on plywood from Papua and New Guinea were as follows:

Item 291(M) Plywood including plywood veneered with any material:

(i) Not exceeding three-sixteenths of an inch in thickness

per 100 sq. ft. 3/9d.
for ad val. 32½¢

whichever rate returns the higher duty.

(ii) Exceeding three-sixteenths of an inch in thickness but not exceeding seven-eights of an inch

per 100 sq. ft. 3/9d.

with an additional duty for each one-sixteenth of an inch in thickness in excess of three-sixteenths of an inch

per 100 sq. ft. 1/ld.
(ii) or, as an alternative to the cumulative fixed
(cont'd) rates provided above

ad val. 32 1/2%

whichever rate returns the higher duty.

(iii) Not elsewhere included

ad val. 32 1/2%

4. As no increase in the rates of duty was involved Australia was obliged
simply to notify its action and no consultations were required.

5. The decision to implement the waiver followed the Government's acceptance
of a recommendation by the Australian Tariff Board which had made a survey of
the timber industry in Australia and Papua and New Guinea. The terms of refer¬
ence of the Tariff Board's enquiry included the question of "whether having
regard to the Commonwealth's obligations to foster and encourage the development
of its territories, assistance should be accorded the importation into Australia
of timber and timber products originating in the territories of Papua and New
Guinea and, if so found, the nature and extent of such assistance".

6. With regard to Papua and New Guinea timber the Tariff Board recommended,
_inter alia, "that a total quantity in any one financial year of twelve million
square feet of plywood on a three-sixteenths of an inch basis originating in
and exported from the territory of Papua and New Guinea be admitted under
by-law free of duty. Any excess over that quantity to be dutiable at the lowest
of the rates applicable to plywood imported from any other country."

7. Under the Customs Tariff (Papua and New Guinea Preference) Proposals No, 1
of 27 May 1955, specific provision was made for the addition of an item to the
Customs Tariff (Papua and New Guinea Preference) 1936-1950 to cover the duty
free admission into Australia of plywood, as prescribed by departmental by-laws.
The relevant by-law will limit this concessional admission to the importation
in any one financial year of 12,000,000 square feet of plywood, three-sixteenths
inch basis, when such plywood is produced in the Territory of Papua and New
Guinea. This limited concession gives effect to the recommendation of the
Tariff Board referred to above.

8. In the same report the Tariff Board recommended also that timber, other
than plywood already referred to, when produced in the Territory of Papua and
New Guinea, be admitted into Australia free of duty. Because of Australia's
contractual obligations under the General Agreement, the Government is unable
to give effect to that particular recommendation and the CONTRACTING PARTIES
have been requested to grant a waiver to enable the Tariff Board's recommenda-
tion to be implemented in full (L/375).
Effects on trade

9. The following figures show the volume and sources of plywood imported into Australia during the latest periods for which details are available. The figures do not distinguish between various thicknesses of plywood.

<table>
<thead>
<tr>
<th></th>
<th>1952/53</th>
<th>1953/54</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>sq. ft.</td>
<td>sq. ft.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>72,320</td>
<td>26,808</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-</td>
<td>10,284</td>
</tr>
<tr>
<td>Other British countries</td>
<td>18,160</td>
<td>-</td>
</tr>
<tr>
<td>New Guinea</td>
<td>-</td>
<td>486,846</td>
</tr>
<tr>
<td>Brazil</td>
<td>678,508</td>
<td>-</td>
</tr>
<tr>
<td>Japan</td>
<td>-</td>
<td>927,576</td>
</tr>
<tr>
<td>Other foreign countries</td>
<td>145,232</td>
<td>100,123</td>
</tr>
<tr>
<td></td>
<td>914,220</td>
<td>1,551,637</td>
</tr>
</tbody>
</table>

10. Australian production of plywood (3/16 inch basis) in the most recent years for which figures are available was as follows:

<table>
<thead>
<tr>
<th></th>
<th>1950/51</th>
<th>1951/52</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>153.5 million sq. ft.</td>
<td>159.2 &quot; &quot; &quot;</td>
</tr>
</tbody>
</table>

These figures, compared with the import figures quoted above, indicate that Australia is virtually self-sufficient in plywood and it is fully expected that the decision to implement the waiver in respect of 12,000,000 square feet of plywood (3/16 inch basis) will have virtually no effect on the trade of other contracting parties.

11. The insignificant plywood imports into Australia during the periods shown above support a statement made by the Tariff Board that Australian plywood factories have a capacity greatly in excess of current consumption and the importation of plywood is unnecessary. It is not expected that the trade of contracting parties will be greatly affected by the limited concession granted New Guinea plywood because, in fact, Australia has never offered a significant market to any plywood exporter.

12. The concession was granted to New Guinea plywood to enable the industry to compete on an equitable basis with locally produced plywood and to offer some measure of encouragement to the New Guinea timber industry which, it is hoped, will play an increasingly important part in the development of the Territory. The concession will not benefit Australian consumers but will merely afford New Guinea producers an opportunity to compete on an equal basis with Australian producers in respect of a limited quantity of plywood. In commenting on this matter the Tariff Board stated that the New Guinea timber producers "propose to export to Australia approximately 10 million square feet annually with a maximum of 12 million square feet annually out of a total output under full production of 40 million square feet annually, which maximum it is considered will not upset the existing Australian market of approximately 150 million square feet".