1. The Working Party has examined the Third Annual Report submitted by the Government of Australia, under the Decision of 24 October 1953, which requires Australia to notify the CONTRACTING PARTIES of action taken under the waiver in granting duty-free treatment to primary products of the Territory of Papua-New Guinea provided they are not the subject of tariff concessions in Schedule I. This Report records that the Australian Government recently completed action on the recommendations of its Tariff Board with respect to certain forestry products of the Territory. Duty-free treatment has now been applied to products falling under a further seven forestry items of the Australian tariff in addition to those covered by the supplementary waiver granted by the CONTRACTING PARTIES in their Decision of 25 November 1955.

2. The Working Party discussed the point raised by the representative of Australia, when presenting the Third Annual Report to the CONTRACTING PARTIES on 19 October 1956, which arises from the fact that some of the seven items on which action has been taken since the Tenth Session are not primary products. In view of the numerous provisions in the waiver for safeguarding the interests of other contracting parties, the representative of Australia suggested that a satisfactory way of dealing with this question would be to delete the word "primary" from the Decision of 24 October 1953.

3. The Working Party considered this suggestion and agreed that to amend the waiver in the manner proposed would not materially alter its purpose or effect and would avoid any similar difficulty arising in the future, provided the amended text makes it clear that the waiver is applicable only to indigenous products of the Territory and to products substantially derived therefrom.

4. Accordingly, a draft decision has been prepared to amend the Decision of 24 October 1953. The draft is annexed to this report and is recommended by the Working Party for adoption by the CONTRACTING PARTIES.

5. Finally, the Working Party recommends that the CONTRACTING PARTIES take note of the Third Annual Report submitted by the Government of Australia.

Points for decision:

paragraph 4, and Annex, to adopt the decision
paragraph 5, to take note of the Third Annual Report
WHEREAS the CONTRACTING PARTIES, by their Decision of 24 October 1953, waived the provisions of paragraphs 1 and 4(b) of Article I of the General Agreement 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 provide duty-free treatment for imports from Papua - New Guinea of certain forestry products which, though not specified in Schedule I, could not be classified as "primary products";

TAKING NOTE of the assurances given by the Government of Australia that this action 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;

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 Territory of Papua - New Guinea is the reasonable assurance of a market in Australia; and

CONSIDERING that an extension of the scope of the Decision of 24 October 1953 to cover products of the Territory of Papua - New Guinea substantially derived from primary products of that Territory would promote the economic development of that Territory and would not materially alter the purpose or effect of the waiver;

THE CONTRACTING PARTIES, acting pursuant to Article XXIV:5(a) of the General Agreement;

DECIDE that the operative paragraphs of the Decision of 24 October 1953 shall be amended to read:
"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 or continue to accord duty-free treatment to primary products of the Territory of Papua - New Guinea and to products of that Territory substantially derived from such primary products 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.

"2. Before taking any action under this waiver the Government of Australia shall notify the CONTRACTING PARTIES and, in respect of any action hereunder which would result in increasing duties, shall consult with any contracting party which considers that such action would threaten substantial injury to its competitive trade with Australia, or would be likely to provide disproportionate protection to the domestic production of Australia. Should no agreement be reached in such consultations, the question of such threat or likelihood may be considered by the CONTRACTING PARTIES. The Government of Australia may increase the duties as proposed if, within thirty days after such notification, no contracting party has requested consultation or if it is agreed by a contracting party requesting consultation or by the CONTRACTING PARTIES, as the case may be, that no such threat or likelihood exists.

"3. The Government of Australia shall report annually to the CONTRACTING PARTIES on the measures taken 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.

"4. 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."