1. The Working Party examined the request of the Australian Government for authority to provide certain advantages to primary products of the territory of Papua-New Guinea upon their importation into Australia for the purpose of promoting the economic development of the Territory.

2. The Australian representative pointed out that the economy of the Territory was very backward and that the absence of an internal market limited the investment of capital in the production of those primary products which might profitably be grown in the Territory. In order to encourage substantial investment it was necessary to give investors an assurance that they would be able to count on a market in Australia for the production they would develop in the Territory. The Australian Government, which had obligations under a Trusteeship Agreement for the Territory of New Guinea, wished to provide such an assurance by providing advantages for the importation into Australia of products which were grown or might be grown in the Territory.

3. In its endeavour to meet the Australian request while safeguarding the interests of the contracting parties, the Working Party examined various alternatives.

4. With regard to the possible incorporation of the Territory into the Australian customs territory, the Australian representative said such a possibility had been contemplated and rejected by his Government. Their main purpose was to devise means of assisting the development of those branches of production which, given the scarce resources of the Territory, appeared to give promise of economic development. Such a selective process would not be aided by incorporating the Territory into their customs territory. On the contrary, the opening up of all possible avenues of investment would involve a dispersal of efforts and, among other things, an uneconomic drain on the limited labour resources of the Territory. Moreover, incorporation into the Australian customs territory would result in advantages in the Territory for Australian goods, a facility which they were not seeking.

5. In view of the arguments against incorporation, the Working Party considered a "one-way free-trade area", the term originally used by the Australian delegation to describe its proposal. It appeared, however, that the construction placed upon the term by the Australian delegation differed from that of others. The former had intended to imply that such an arrangement would enable them to grant duty-free treatment to any products they might choose; others felt that, in the light of the provisions of Article XXIV of the Agreement, any arrangement so
described should imply duty-free treatment and an absence of other restrictions, with respect to substantially all the products of the Territory upon their importation into Australia. Such an interpretation was not acceptable to the Australian representative, since such an arrangement would probably cause the dispersal of resources and a disruption of the economic and social structure.

6. It was made clear to the Working Party that advantages in the Australian market would only be granted to those primary products which showed promise of economic development and the production of which would contribute to the social and economic welfare of the Territory.

7. Several delegations, recognizing the force of the arguments put forward by the Australian representative, suggested that the Australian representative submit a list of products to which they intended to grant duty-free treatment without, at the same time, granting such treatment to the like products of other contracting parties. The Australian representative, however, made it clear that his Government could not draw up such a list because it did not know at the present stage what products were susceptible of development. Duty-free treatment had been granted before the existence of the General Agreement to products which to-day were still not being imported into Australia. Experimental stations in the Territory, set up by the Australian Government, were exploring all possible avenues of economic expansion with a view to providing indications for the Government's policy of assistance and development.

8. It was essential, according to the Australian representative, that his Government be able to assure private enterprise of assistance in the form of a protected market in Australia in order that investment might be attracted to the Territory. This assurance could only be given to Australian investors by a waiver of certain obligations under the General Agreement, which would permit the Australian Government to guarantee assistance in cases which showed promise of sound development.

9. The Working Party, having discussed the various alternatives, agreed to recommend to the CONTRACTING PARTIES that the provisions of Article I, paragraphs 1 and 4 (b) be waived to the extent necessary to permit the Government of Australia to grant or continue to grant duty-free treatment to primary products of the Territory of Papua-New Guinea not bound under the General Agreement, without regard to the rates of duty applicable to like products of any other contracting party.

10. In recommending such a waiver without limitations as to the primary products which might be involved, the Working Party took into consideration the special circumstances involved in the case and the assurances given by the Government of Australia that any such waiver (a) would be utilised for the development of the Territory in such a manner as not to cause material injury to the competitive trade of any other contracting party and (b) would not be utilised for the
protection of domestic production in Australia.

11. In order to safeguard the interests of other contracting parties, the Working Party agreed to a procedure for prior notification before action would be taken under the waiver and, in respect of any action which would result in increasing duties, for prior consultation with any contracting party which considered such action would threaten substantial injury to its competitive trade with Australia. It felt, further, that some provision was required for review of any Decision of the CONTRACTING PARTIES to grant the waiver as recommended.

12. The Working Party, in the light of the considerations outlined above, agreed to recommend to the CONTRACTING PARTIES that a waiver be granted to the Government of Australia in the terms set out in the Decision attached hereto.