

GATT/AIR/312(SECRET)

12 DECEMBER 1962

SUBJECT: SCHEDULE I - AUSTRALIA - REQUEST FOR AUTHORITY TO RENEGOTIATE
UNDER ARTICLE XXVIII:4

THE FOLLOWING COMMUNICATION HAS BEEN RECEIVED FROM THE AUSTRALIAN DELEGATION:

"THE AUSTRALIAN GOVERNMENT, BY ITS SIGNATURE AND RATIFICATION OF THE UNITED NATIONS CHARTER, HAS ACCEPTED OBLIGATIONS FOR THE TERRITORY OF PAPUA AND NEW GUINEA AND FURTHER OBLIGATIONS HAVE BEEN UNDERTAKEN FOR THE TERRITORY OF NEW GUINEA UNDER THE UNITED NATIONS TRUSTEESHIP AGREEMENT. AUSTRALIA IS COMMITTED TO THE POLITICAL, ECONOMIC, SOCIAL AND EDUCATIONAL ADVANCEMENT OF THE INHABITANTS OF THE TERRITORY.

"THE ECONOMIC FUTURE OF THE TERRITORY OF PAPUA AND NEW GUINEA DEPENDS LARGELY AT PRESENT ON THE STABILITY AND CONTINUED DEVELOPMENT OF ITS AGRICULTURAL INDUSTRY FOR THE CREATION OF A VIABLE ECONOMY.

"THE TERRITORY IS ONLY NOW COMMENCING TO EMERGE FROM A SUBSISTENCE AGRICULTURE TO A PARTIAL CASH CROP ECONOMY. ONE THIRD OF THE INDIGENOUS POPULATION IS LOCATED IN THE HIGHLANDS, AND, IN THIS AREA, PRODUCTION OF COFFEE IS ONE OF THE FEW FORMS OF CASH CROP ACTIVITY THAT CAN BE FOSTERED. SATISFACTORY MARKETING ARRANGEMENTS FOR THE TERRITORY'S COFFEE PRODUCTION ARE NEEDED OTHERWISE THE DEVELOPMENTS SO FAR ACHIEVED AMONG THE LOCAL PEOPLE COULD BE JEOPARDIZED.

"THE AUSTRALIAN GOVERNMENT, MINDFUL OF AUSTRALIA'S RESPONSIBILITY FOR THE DEVELOPMENT OF THE TERRITORY OF PAPUA AND NEW GUINEA, THE DEPENDENCE OF THE TERRITORY'S ECONOMY ON TROPICAL AGRICULTURE, THE INCREASING SIGNIFICANCE OF COFFEE IN THE TERRITORY'S EXPORT INCOME AND THE TERRITORY'S DEPENDENCE ON THE AUSTRALIAN MARKET, RECENTLY DIRECTED THE TARIFF BOARD TO CONDUCT AN INQUIRY INTO WHETHER ASSISTANCE SHOULD BE ACCORDED TO THE PRODUCTION OF COFFEE IN THE TERRITORY.

"VIRTUALLY ALL THE PAPUA/NEW GUINEA OUTPUT OF COFFEE HAS BEEN EXPORTED, MAINLY TO AUSTRALIA. ALTHOUGH THE PROPORTION OF TERRITORY COFFEE EXPORTED TO OTHER DESTINATIONS HAS BEEN STEADILY INCREASING, THE AUSTRALIAN MARKET STILL ACCOUNTED FOR 90 PER CENT OF THE TERRITORY'S EXPORTS OF COFFEE IN 1960/1961 AND ABOUT 70 PER CENT IN 1961/1962.

"A FEATURE OF RECENT AUSTRALIAN DEMAND HAS BEEN THE GROWING POPULARITY OF SOLUBLE COFFEES, WHICH NOW ACCOUNT FOR NEARLY 60 PER CENT OF THE ESTIMATED TOTAL VOLUME OF COFFEE SALES IN AUSTRALIA. AS THE SOLUBLE COFFEES TEND TO

USE A HIGHER PROPORTION OF ROBUSTA THAN DO PRE-PACKAGED BLENDS OF ROASTED BEANS (WHOLE OR GROUND) THE DEMAND FOR ROBUSTAS HAS BEEN INCREASING RELATIVELY TO THAT FOR ARABICAS.

"THIS CHANGING PATTERN OF DEMAND IN AUSTRALIA HAS IMPORTANT IMPLICATIONS FOR THE PAPUA/NEW GUINEA COFFEE INDUSTRY. COFFEE PRODUCED IN THE TERRITORY IS MOSTLY ARABICA VARIETIES. THE GROWING OF ROBUSTA TYPES OF COFFEE IS NOT WIDESPREAD AND ROBUSTA VARIETIES CONSTITUTE LESS THAN 4 PER CENT OF TOTAL PRODUCTION. THERE IS LITTLE SCOPE FOR CHANGE IN THE PATTERN OF TERRITORY PRODUCTION.

"THE TARIFF BOARD REPORTED THAT THE LIMITED PROPORTION OF PAPUA/NEW GUINEA COFFEE THAT CAN BE ABSORBED BY THE AUSTRALIAN MARKET AND THE PROBABLE DIFFICULTIES OF FINDING OVERSEAS OUTLETS FOR THE RELATIVELY UNFAMILIAR PAPUA/NEW GUINEA COFFEE, WERE COMPELLING REASONS FOR DISCOURAGING ANY FURTHER EXPANSION, PARTICULARLY OF PLANTATIONS UNDER EUROPEAN CONTROL; THE AIM OF ANY ASSISTANCE GIVEN TO THE PAPUA/NEW GUINEA COFFEE INDUSTRY SHOULD THEREFORE BE LIMITED TO THAT NECESSARY TO ENABLE EXISTING PLANTATIONS TO REACH THEIR OPTIMUM LEVEL OF OUTPUT.

"THE BOARD REPORTED ALSO THAT A SPECIFIC DUTY WOULD NOT BY ITSELF BE A SATISFACTORY MEANS OF ASSISTING THE INDUSTRY BECAUSE SOME OF THE TYPES OF COFFEE NEEDED BY AUSTRALIAN USERS ARE GROWN ONLY OUTSIDE THE TERRITORY. IT FELT, HOWEVER, THAT A MARKET IN AUSTRALIA FOR SOME OF THE TERRITORY'S CROP COULD BE REASONABLY ASSURED BY WAY OF A SPECIFIC DUTY COUPLED WITH ARRANGEMENTS FOR CONCESSIONAL ENTRY.

"THE AUSTRALIAN GOVERNMENT ACCEPTS THIS VIEW AND THEREFORE DESIRES TO GIVE EFFECT TO THE TARIFF BOARD'S RECOMMENDATION THAT THE FOLLOWING TARIFF DUTIES SHOULD APPLY TO RAW AND KILN DRIED COFFEE WHEN IMPORTED INTO AUSTRALIA, VIZ:

"(a) IMPORTS FROM THE TERRITORY OF PAPUA AND NEW GUINEA SHOULD CONTINUE TO BE ADMITTED FREE OF DUTY;

"(b) ON IMPORTS FROM SOURCES OTHER THAN THE TERRITORY OF PAPUA AND NEW GUINEA:

"(i) FREE ADMISSION FROM ALL SOURCES PROVIDED THE AUSTRALIAN IMPORTER OBTAINS 30 PER CENT OF HIS REQUIREMENTS FROM THE TERRITORY OF PAPUA AND NEW GUINEA;

"(ii) ADMISSION AT THE CURRENT DUTY OF 3D LB. PROVIDED THE AUSTRALIAN IMPORTER OBTAINS 25 PER CENT (BUT NOT MORE THAN 30 PER CENT) OF HIS REQUIREMENTS FROM THE TERRITORY OF PAPUA AND NEW GUINEA;

"(iii) ADMISSION AT THE RATE OF 5D LB. WHEN THE AUSTRALIAN IMPORTER DOES NOT OBTAIN AT LEAST 25 PER CENT OF HIS REQUIREMENTS FROM THE TERRITORY OF PAPUA AND NEW GUINEA.

"THESE MEASURES ARE DESIGNED TO ENSURE A MARKET WHICH WILL RETURN REMUNERATIVE BUT NOT EXCESSIVE PRICES TO TERRITORY PRODUCERS.

"IN VIEW OF THE INTERNATIONAL MARKETING DIFFICULTIES FOR COFFEE WHICH WERE THEN DEVELOPING, THE TERRITORIES ADMINISTRATION HAS TAKEN STEPS SINCE 1959 TO LIMIT THE EXPANSION OF COFFEE GROWING. NO NEW LAND HAS BEEN ALIENATED FOR COFFEE PLANTING SINCE THAT TIME AND DEVELOPMENT ON VILLAGE LAND HAS BEEN LIMITED TO BRINGING PROJECTS ALREADY UNDER WAY TO MATURITY. AS INDICATED BY THE AUSTRALIAN DELEGATION AT THE RECENT UNITED NATIONS COFFEE CONFERENCE, IT IS THE INTENTION OF THE ADMINISTRATION TO MAINTAIN THIS POLICY.

"UNDER THE DUTY SCHEME WHICH THE GOVERNMENT WISHES TO INTRODUCE, COFFEE ROASTERS WHO OBTAIN 30 PER CENT OF THEIR SUPPLIES FROM THE TERRITORY, WILL, IN FACT, BE ABLE TO OBTAIN THEIR FULL REQUIREMENTS OF COFFEE BEANS FREE OF DUTY.

"HOWEVER, BECAUSE IT IS CONCEIVABLE THAT SOME IMPORTED COFFEE MAY BE REQUIRED TO PAY DUTY AT 5D PER LB., IT BECOMES NECESSARY TO RENEGOTIATE THE CONCESSION GIVEN UNDER ITEM 43 (A).

"AUSTRALIA, THEREFORE, REQUESTS AUTHORITY UNDER ARTICLE XXVIII, PARAGRAPH 4, TO RENEGOTIATE THE FOLLOWING CONCESSION ACCORDED UNDER PART 1 OF SCHEDULE 1 - 'EX 43(A) COFFEE, RAW AND KILN DRIED: 3D PER LB'.

"THE CONCESSION UNDER ITEM 43 (A) WAS NEGOTIATED WITH BENELUX IN 1947 AND UGANDA IS THE PRINCIPAL SUPPLIER.

"IMPORTS OF RAW AND KILN DRIED COFFEE HAVE BEEN:

£A.000

	<u>1958/59</u>	<u>1959/60</u>	<u>1960/61</u>	<u>1961/62</u>
UGANDA	1,363.7	1,314.5	1,119.3	594.3
KENYA	497.4	386.0	362.5	70.6
TANGANYIKA	364.8	340.1	235.8	96.9
BRAZIL	34.4	102.7	250.2	251.2
PAPUA AND NEW GUINEA	444.2	646.6	1,011.4	1,074.5
OTHER COUNTRIES	<u>445.7</u>	<u>415.5</u>	<u>331.9</u>	<u>474.4</u>
	<u>3,150.2</u>	<u>3,205.4</u>	<u>3,311.1</u>	<u>2,561.9</u>

"THE AUSTRALIAN GOVERNMENT DESIRES THAT THE CONTRACTING PARTIES SHOULD GIVE THIS REQUEST EARLY CONSIDERATION."

ACCORDINGLY A MEETING OF THE COUNCIL WILL BE CONVENED IN THE FIRST HALF OF JANUARY 1963 TO EXAMINE THE REQUEST BY THE GOVERNMENT OF AUSTRALIA.

E. WYNDHAM WHITE