

Article 2

Objectives

The objectives of this Agreement are:

- (a) to further the development of the Area through the expansion and diversification of trade between the Member States;
- (b) to further the development and use of the resources of the Area in accordance with the respective social and economic objectives of the Member States;
- (c) to further the development of the Area by the promotion of direct investment which is consistent with the foreign investment policies and priorities of the recipient Member States;
- (d) to promote and facilitate commercial, industrial, administrative and technical cooperation between the Member States; and
- (e) to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers to it.

Article 3

Free trade

1. A Free Trade Area is hereby established. The Area consists of Papua New Guinea and Australia.
2. Subject to the provisions of this Agreement, trade between the Member States shall be free of duties and other restrictive regulations of commerce.
3. This Article applies only to trade in goods which originate in a Member State.

Article 4

Rules of origin of goods

1. Goods shall be treated as originating in a Member State if those goods are:
 - (a) the unmanufactured raw products of that Member State, or
 - (b) manufactured goods in relation to which
 - (i) the process last performed in the manufacture was performed in that Member State, and
 - (ii) the expenditure
 - (A) on material that is of Member State origin,

- (B) on labour, factory overheads and inner containers that are of Member State origin, or
- (C) partly on such material and partly on such other items of factory cost, is not less than one-half of the factory or works costs at the time of exportation.

2. Notwithstanding the provisions of paragraph 1 of this Article, the Member States may agree to treat particular goods or classes of goods as originating in a Member State provided that, in the case of manufactured goods, the process last performed in the manufacture was performed in the territory of the exporting Member State.

Article 5

Excepted goods

Notwithstanding the provisions of Article 3 of this Agreement,

- (a) the goods specified in Schedule A to this Agreement, when imported into Australia from Papua New Guinea, shall be subject to the rate of import duty specified from time to time in the Australian Customs Tariff as being applicable to Port New Guinea goods;
- (b) the goods specified in Schedule B to this Agreement, when imported into Australia from Papua New Guinea, shall be subject to the rate of import duty and to the other regulations, if any, specified in Schedule B as being applicable to those goods;
- (c) the goods specified in Schedule C to this Agreement, when imported into Papua New Guinea from Australia, shall be subject to the rate of import duty specified from time to time in the Papua New Guinea Customs Tariff as being applicable to Australian goods; and
- (d) the goods specified in Schedule D to this Agreement, when imported into Papua New Guinea from Australia, shall be subject to the rate of import duty and to the other Regulations, if any, specified in Schedule D as being applicable to those goods.

Article 6

Revenue duties

Nothing in this Agreement shall preclude the imposition by either Member State of sales taxes or other revenue duties which are levied equally on both imports and domestic products.

Article 7

Most favoured nation treatment

1. Each Member State shall accord to the other Member State treatment no less favourable than that accorded to any third country in respect of all matters concerning: