

# WORLD TRADE ORGANIZATION

G/L/128

28 October 1996

(96-4496)

## REPORT (1996) OF THE WORKING PARTY ON STATE TRADING ENTERPRISES

### I. Organization of the work of the Working Party

1. The Working Party on State Trading Enterprises was established by the Council for Trade in Goods at its meeting on 20 February 1995 pursuant to paragraph 5 of the Understanding on the Interpretation of Article XVII of the General Agreement on Tariffs and Trade 1994 (hereinafter "the Understanding"). Membership of the Working Party is open to all Members indicating their wish to serve on it. Observer governments in the General Council of the WTO have observer status in the Working Party. During the period under review, Mr. Peter May (Australia) served as Chairman of the Working Party.

2. The mandate of the Working Party, as set out in paragraph 5 of the Understanding, is: (1) to review notifications and counter-notifications on state trading; (2) to review, in the light of the notifications received, the adequacy of the questionnaire on state trading (BISD 9S/184-185) and the coverage of state trading enterprises notified under paragraph 1 of the Understanding; and (3) to develop an illustrative list showing the kinds of relationships between governments and enterprises, and the kinds of activities, engaged in by these enterprises, which may be relevant for the purposes of Article XVII.

3. This report is submitted under paragraph 5 of the Understanding. It sets out the activities of the Working Party during the period under review (December 1995 - October 1996).

4. Participants in the Working Party's meetings to date are: Argentina, Australia, Bangladesh, Brazil, Brunei Darussalam, Canada, Chile, Colombia, Costa Rica, Cuba, Cyprus, Czech Republic, Egypt, El Salvador, European Communities and their member States, Hong Kong, Honduras, Hungary, India, Indonesia, Israel, Japan, Korea, Malaysia, Malta, Mauritius, Mexico, Morocco, New Zealand, Norway, Pakistan, Peru, Philippines, Poland, Romania, Singapore, Slovak Republic, South Africa, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela and Zambia. China, Chinese Taipei, Russian Federation and Vietnam participated as observers.

5. The Working Party held four formal meetings during the period under review: on 20 February 1996, 27 June 1996, 26 September 1996 and 24 October 1996. The Minutes of the Working Party's meetings are contained in documents G/STR/M/3 to 6. In addition, the Chairman convened four informal meetings with the objective of advancing work on the tasks mandated to the Working Party in the Understanding, and one informal meeting regarding the Working Party's report to the Council for Trade in Goods.

6. The meeting of the Working Party held on 24 October 1996 was for the purpose of adopting its report to the Council for Trade in Goods.

**II. Notification and review of Members' state trading activities**

7. All Members are required under Article XVII of GATT 1994 and paragraph 1 of the Understanding to submit annually notifications of their state trading activities. In the first and fourth years, "new and full" notifications are required, while in the intervening years an updating notification is to be made indicating any changes since the full notification. At each of the first three meetings, the Chairman made a statement concerning the unsatisfactory record of compliance with the notification requirements in the area of state trading, and the need for greater transparency in the trade conducted by state trading enterprises.

8. Since the first request for "new and full" notifications of state trading enterprises was circulated (in March 1995), such notifications have been received from 45 Members, counting the European Communities and their member States as one. Updating notifications for 1996 have been received from 16 Members. (see the Annex to this report)

9. At its meeting on 20 February 1996, the Working Party conducted a review of new and full notifications from the following Members: Chile, Colombia, European Communities, India, Norway, Switzerland, Hungary, Guinea and Honduras. It also reverted to several earlier notifications. A central issue that emerged in the course of the reviews was whether entities that did not engage in trade but whose activities might have an impact on trade should be notified. Many of the questions raised on specific notifications indicated varying interpretations of what constituted notifiable state trading, and in turn emphasized the need to accelerate work on revision of the questionnaire and development of an illustrative list. The need for more complete and precise responses to the questionnaire was stressed as a fundamental aspect of the notification obligation.

10. At its meeting on 27 June 1996, the Working Party conducted a review of new and full notifications from Morocco and Pakistan, and reverted to numerous earlier notifications. Many delegations raised further questions on notifications previously reviewed at earlier meetings, with a continuing emphasis on both the specifics of the notifications and on the underlying interpretations of what was required to be notified.

11. At its meeting on 26 September 1996, the Working Party conducted a review of new and full notifications from Barbados, Brazil and Malta, and reviewed updating notifications from the following Members: Australia, Canada, Chile, European Communities, Hong Kong, New Zealand, Norway, Singapore, Switzerland and the United States.

**III. Mandated work programme of the Working Party**

12. Regarding its mandated work programme, the Working Party decided at its meeting on 20 February that substantive work on the revision of the 1960 questionnaire on state trading and the development of an illustrative list would be taken up in informal consultations open to any Member wishing to participate.

13. At the meeting on 27 June, the Chairman reported to the Working Party on the four informal consultations he had held on the two issues. The Working Party considered a draft text of a revised questionnaire (G/STR/W/30) - which in part reflected discussions in the informal consultations and which had been circulated as a Chairman's text - and agreed to pursue discussion of this draft text and to continue work on an illustrative list, in informal consultations. The Chairman encouraged Members, in the light of the timeliness and importance of these two tasks, to redouble their efforts for progress in these areas. Views were expressed concerning the need to move rapidly and in tandem on the two issues, as each was inextricably linked to the other and both were fundamental to improving transparency in the area of state trading. The need to craft a questionnaire that would elicit the relevant

information while avoiding duplication and unnecessary information was stressed. One problem facing the Working Party in finalizing the questionnaire was the divergent views expressed on the provision of commercially sensitive information.

14. At its meeting of 26 September, the Working Party discussed written proposals submitted by New Zealand (G/STR/W/31) and the United States (G/STR/W/32) regarding the illustrative list of relationships and activities of state trading enterprises. The submissions were deemed a positive contribution to work on this issue and a good basis for further progress. Preliminary views were expressed that a clearer understanding of what should be notified would assist Members in complying with their obligations and would stimulate an increase in transparency. It was suggested that work should be accelerated on the revised questionnaire and the illustrative list. The link between these two tasks, and the need for them to progress rapidly and in parallel, was again stressed. It was agreed that work on the questionnaire would continue on the basis of the text in G/STR/W/30.

#### IV. Other Matters

15. At the meeting of 26 September, the European Communities submitted a paper (G/STR/W/33) outlining suggestions for future work to be undertaken by the Working Party, including an examination of whether Article XVII and the Understanding needed further strengthening. It was explained that the intent of the paper was not to renegotiate Article XVII, but simply to start a discussion in the Working Party on the adequacy of the current WTO disciplines on state trading. This delegation suggested that in this sense, while the Working Party continued to pursue the work mandated in the Understanding, the Council for Trade in Goods could assign this task to the Working Party. While a number of delegations supported the proposal in varying degrees, several other delegations were of the view that what was suggested in the paper went beyond the mandate of the Working Party, and that given the current state of work in the Working Party, was for the time being pre-mature. The European Communities indicated its intention to raise this matter at the next meeting of the Council for Trade in Goods.

#### V. Recommendations

16. In light of its desire to complete expeditiously the review of the questionnaire and the development of an illustrative list, the Working Party recommends to the Council for Trade in Goods that the Council urge all Members to fulfil their notification obligations under Article XVII and the Understanding without delay.

ANNEX

NOTIFICATIONS SUBMITTED BY WTO MEMBERS UNDER  
ARTICLE XVII:4(a) OF GATT 1994 AND PARAGRAPH 1 OF THE  
WTO UNDERSTANDING ON THE INTERPRETATION OF ARTICLE XVII

Status as of 17 October 1996

Member	New and Full Notification	Updating Notification
Antigua and Barbuda		
Argentina	X	
Australia	X	X
Bahrain		
Bangladesh		
Barbados	X	
Belize		
Benin		
Bolivia		
Botswana		
Brazil	X	
Brunei Darussalam		
Burkina Faso		
Burundi		
Cameroon		
Canada	X	X
Central African Republic		
Chile	X	X
Colombia	X	X
Costa Rica	X	
Côte d'Ivoire	X	
Cuba		
Cyprus	X	
Czech Republic	X	
Djibouti		
Dominica		
Dominican Republic		
European Communities	X	X
Ecuador		
Egypt		

Member	New and Full Notification	Updating Notification
El Salvador		
Fiji		
Gabon		
Ghana		
Grenada		
Guatemala		
Guinea Bissau		
Guinea, Rep. of	X	
Guyana		
Haiti		
Honduras	X	
Hong Kong	X	X
Hungary	X	
Iceland		
India	X	
Indonesia	X	X
Israel	X	
Jamaica	X	
Japan	X	X
Kenya		
Korea	X	
Kuwait		
Lesotho		
Liechtenstein		
Macau	X	
Madagascar		
Malawi		
Malaysia	X	
Maldives		
Mali		
Malta	X	
Mauritania		
Mauritius	X	
Mexico		
Morocco	X	
Mozambique		

Member	New and Full Notification	Updating Notification
Myanmar		
Namibia		
New Zealand	X	X
Nicaragua		
Nigeria		
Norway	X	X
Pakistan	X	
Pap. New Guinea		
Paraguay		
Peru	X	
Philippines	X	
Poland	X	
Qatar		
Romania	X	
Rwanda		
Saint Kitts & Nevis		
Saint Lucia		
Saint Vincent & Grenadines		
Senegal		
Sierra Leone		
Singapore	X	X
Slovak Republic	X	X
Slovenia	X	
Solomon Islands		
South Africa	X	X
Sri Lanka		
Suriname		
Swaziland		
Switzerland	X	X
Tanzania		
Thailand	X	X
Togo		
Trinidad & Tobago		
Tunisia		
Turkey	X	
Uganda		

Member	New and Full Notification	Updating Notification
United Arab Emirates	X	
United States	X	X
Uruguay	X	
Venezuela	X	
Zambia		
Zimbabwe		
<b>Total*</b>	<b>45/108</b>	<b>16/108</b>

X = notification submitted

\*The denominator used here (108) reflects the fact that for each obligation, the EC submits a single notification that covers all 15 memberStates. The official total membership of the WTO(123) includes the EC plus the 15 individual memberStates.