

SECTION D.—STATE TRADING. (Articles 30–31)

The purpose of Articles 30 and 31 is to bring the trading activities of State enterprises, or enterprises granted exclusive or special privileges by the State, into conformity with the principle of non-discriminatory treatment. The main requirements imposed on such enterprises are that they shall make their purchases and sales “solely in accordance with commercial considerations” and shall afford the enterprises of other Members adequate opportunity to compete for participation in such purchases or sales. The term “commercial considerations” is not defined in the Charter, and in the absence of such definition can be assumed to have a wide connotation.

In order that State trading enterprises shall not be subject to requirements under the Charter more onerous than those imposed on private enterprises, paragraph 1 (c) of Article 30 imposes an obligation on Members not to prevent any enterprise, private or otherwise, from acting in accordance with the principles set out above.

Paragraph 2 relaxes the main provisions of Article 30 in favour of imports of products for governmental use and not for resale or use in the production of goods for sale.

Article 30 deals with State trading enterprises generally; Article 31 deals with the particular case of State trading monopolies, its object being to ensure that such monopolies promote expansion of trade. The basic requirement of Article 31 is that a Member maintaining a State trading monopoly shall on request negotiate with Members substantially interested in the product concerned in the manner provided for under Article 17 in respect of tariffs.

Paragraphs 1 (a) and 1 (b) of Article 31 define the purpose of these negotiations in the case of export and import monopolies respectively. In the case of exports the intention is to negotiate arrangements designed to limit the protection afforded through the operation of the monopoly to domestic users of the monopolized product, or designed to ensure exports in adequate quantities at reasonable prices. In the case of imports negotiations must be directed towards the establishment of a maximum import duty on the product concerned, unless the negotiating parties agree that this procedure is impracticable or would be ineffective. In the latter case any other mutually acceptable arrangement consistent with the purposes of the Charter may be negotiated.

Paragraph 4 requires State trading monopolies not to sell imported products in the domestic market at a price exceeding the landed cost plus the maximum import duty plus a due allowance for certain internal charges and a reasonable margin of profit. This requirement is, however, subject to a proviso to meet the needs of domestic stabilization schemes for primary products.