

**Working Party on
State Trading Enterprises**

**MINUTES OF THE MEETING OF THE WORKING
PARTY ON STATE TRADING ENTERPRISES
HELD ON 19 NOVEMBER 2002**

Chairman: Mr. Aliyu Abubakar (Nigeria)

	<u>Page</u>
A. ADOPTION OF THE AGENDA	1
B. REVIEW OF NEW AND FULL AND UPDATING NOTIFICATIONS SUBMITTED BY MEMBERS UNDER G/STR/N/3, 4, 5, 6, 7 AND 8	1
C. ANNUAL REPORT TO THE COUNCIL FOR TRADE IN GOODS	6
D. OTHER BUSINESS	6
1. Requests from the Chairman of the Special Session of the Committee on Trade and Development and the Chairman of the Working Group on Trade and Transfer of Technology.	6

A. ADOPTION OF THE AGENDA

1. The Chairman proposed the inclusion of a point under "Other Business" in connection with requests received from the Chairman of the Special Session of the Committee on Trade and Development and the Chairman of the Working Group on Trade and Transfer of Technology.

2. The Working Party adopted the agenda contained in WTO/AIR/1921, as amended.

B. REVIEW OF NEW AND FULL AND UPDATING NOTIFICATIONS SUBMITTED BY MEMBERS
UNDER G/STR/N/3, 4, 5, 6, 7 AND 8

3. The Chairman recalled that, according to paragraph 5 of the Understanding on the Interpretation of Article XVII ("the Understanding"), the Working Party was tasked to review the notifications and counter-notifications on state trading submitted by Members, and in the light of this review, the Council for Trade in Goods may make recommendations with regard to the adequacy of notifications and the need for further information.

4. The Chairman suggested that the Working Party conduct the review in the same manner as at previous meetings, i.e. with a focus on two main elements: (i) whether the notification responded adequately to the information requested in the questionnaire; and (ii) whether more information was needed in order to permit – in the language of paragraph 2 of the Understanding – "a clear

appreciation of the manner of operation of the enterprises notified and the effect of their operations on international trade".

5. The Chairman recalled that the Council for Trade in Goods, at its meeting on 20 February 1995, had established a deadline of 30 June 1995 for new and full notifications by Members on their state trading enterprises ("STEs"), and that subsequently the Working Party had agreed to maintain 30 June as the date for further (updating) notifications.

6. The Chairman recalled that, on 22 April 1998, a request for new and full notifications was circulated in document G/STR/N/4. On 10 March 1999, a request for updating notifications was circulated in document G/STR/N/5. On 1 March 2000, a request for updating notifications was circulated in document G/STR/N/6. On 26 February 2001, a request for new and full notifications was circulated in document G/STR/N/7. On 20 February 2002, a request for updating notifications was circulated in document G/STR/N/8. These notifications, required of all WTO Members, were due by 30 June of the respective year, with the exception of notifications pursuant to G/STR/N/4, which were due by 30 September 1998, in order to allow for the fact that a revised questionnaire had been adopted that year.

7. The Chairman noted that the notifications by Canada in G/STR/N/4/CAN and Malta in G/STR/N/8/MLT had been received after the Airgram setting the Agenda for the meeting was circulated. These notifications could be found in the document packages for the meeting. The Chairman asked Members if they agreed to include the notifications by Canada and Malta in the list of notifications to be reviewed at the meeting, as they were circulated some time before the meeting, at least in English.

8. The Working Party so decided.

9. The Chairman noted that the 2002 updating notification from Macao, China in document G/STR/N/8/MAC, had been received on 6 February 2002, however, due to a mistake by the Secretariat it was not circulated at that time. The delegation of Macao, China had brought this to the attention of the Secretariat and an advance copy of the notification had been made available as a room document. The Chairman noted that this was a nil notification, therefore, although this notification had not yet circulated officially, he asked whether the Working Party would agree to include Macao's notification among those which would be reviewed at the meeting.

10. The Working Party so decided.

11. The Chairman noted that Nigeria's new and full notification for 1998 in document G/STR/N/4/NGA had been submitted on 16 February 1998, however, due to a mistake by the Secretariat this notification was not circulated at that time. He said that he had brought this to the attention of the Secretariat and an advance copy of this notification had been made available as a room document. The Chairman also noted that Nigeria had recently submitted its new and full notification for 2001 and updating notifications for 1999, 2000 and 2002. These were all nil notifications and would be circulated in a single multi-symbol document as G/STR/N/5/NGA through G/STR/N/8/NGA, an advance copy of which had been made available in the room. The Chairman asked whether the Working Party would agree to include Nigeria's notifications among those which would be reviewed at the meeting, although Nigeria's notifications had not yet circulated officially.

12. The Working Party so decided.

13. The Chairman noted that Jordan's new and full and updating notification for 2001 and 2002 had been received only the previous week and would be circulated as a dual-symbol document G/STR/N/7/JOR and G/STR/N/8/JOR. An advance copy of this notification had been made available

as a room document. The chairman noted that Jordan's notification was quite substantive and understood that Members would need some time to fully evaluate it, however, given that the next review of notifications would happen only at the end of next year, the Chairman proposed to include Jordan's notification among those which were to be reviewed at the meeting. This review was to be conducted with the understanding that if Members had any questions on Jordan's notification they could submit them in writing at a later date and any Member could also request that Jordan's notification be retained on the airgram for the next meeting of the Working Party.

14. The Working Party so decided.

15. The Chairman indicated that, as agreed at the Working Party's meeting in September 1996, notifications that had already been reviewed and on which there may be written questions would not be retained on the airgram for the Working Party's next meeting unless a Member specifically so requested.

16. The Working Party proceeded with the review of notifications.

17. No questions were posed regarding the notifications of Argentina (G/STR/N/6/ARG – G/STR/N/7/ARG).

18. No questions were posed regarding the notifications of Bulgaria (G/STR/N/7/BGR – G/STR/N/8/BGR).

19. Regarding the notification of Canada (G/STR/N/4/CAN) the delegate of the European Community noted that this notification covered the period 1994-1997 and that this was quite late. He asked what was the reason for such a delay and whether more updated information would be submitted by Canada.

20. The representative of Canada confirmed that this was the new and full notification which was due in 1998. He also noted that they were in the process of preparing the rest of the notifications which Canada still owed and that would contain more updated information.

21. No questions were posed regarding the notification of Chile (G/STR/N/7/CHL).

22. Regarding the notification of Chinese Taipei (G/STR/N/8/TPKM), the delegate of Thailand noted that questions from Thailand on Chinese Taipei's notifications were circulated in document G/STR/Q1/TPKM/1.

23. The delegate of Chinese Taipei noted that the government of the Separate Customs Territory had lifted the import ban on rice and allowed imports under the provisions of Annex V of the Agreement on Agriculture since January 2002. The annual minimum access quota for 2002 was 144,720 metric tons with 35 per cent of the quota allocated to the private sector and 65 per cent imported by the government on the condition that it be tendered to meet internationally recognized standards for trade in rice. He expressed that in compliance with WTO commitments, the government-imported rice would have full access to normal marketing channels for table use. Since the rice imported by the public sector had to be resold on the domestic market, market preference was one of the most important factors when deciding the specification of imported rice. The representative of Chinese Taipei stated that most consumers in the separate customs territory preferred medium and short-grain rice. Therefore, the government of the Separate Customs Territory should import the rice which consumers prefer. Otherwise the imported rice could not be sold and the government would bear the loss. He stressed that the specifications of the publicly imported rice were not stricter than those of other members, and the implementation of the quota was in compliance with

WTO obligations. The delegation of Chinese Taipei would also provide written answers to Thailand's questions.

24. No questions were posed regarding the notifications of Costa Rica (G/STR/N/5/CRI – G/STR/N/6/CRI – G/STR/N/7/CRI).

25. No questions were posed regarding the notification of the Czech Republic (G/STR/N/8/CZE).

26. No questions were posed regarding the notification of Estonia (G/STR/N/8/EST).

27. No questions were posed regarding the notifications of the European Community (G/STR/N/3/EEC – G/STR/N/5/EEC – G/STR/N/6/EEC – G/STR/N/7/EEC).

28. No questions were posed regarding the notifications of Georgia (G/STR/N/7/GEO – G/STR/N/8/GEO).

29. No questions were posed regarding the notification of Guatemala (G/STR/N/8/GTM).

30. No questions were posed regarding the notification of Honduras (G/STR/N/7/HND).

31. No questions were posed regarding the notification of Hong Kong, China (G/STR/N/8/HKG).

32. No questions were posed regarding the notifications of Hungary (G/STR/N/7/HUN – G/STR/N/8/HUN).

33. No questions were posed regarding the notification of India (G/STR/N/7/IND).

34. No questions were posed regarding the notifications of Indonesia (G/STR/N/7/IDN – G/STR/N/8/IDN).

35. No questions were posed regarding the notifications of Jordan (G/STR/N/7/JOR – G/STR/N/8/JOR).

36. No questions were posed regarding the notification of Liechtenstein (G/STR/N/8/LIE).

37. No questions were posed regarding the notification of Lithuania (G/STR/N/7/LTU).

38. No questions were posed regarding the notification of Macao, China (G/STR/N/8/MAC).

39. No questions were posed regarding the notification of Malta (G/STR/N/8/MLT).

40. No questions were posed regarding the notification of Mauritius (G/STR/N/8/MUS).

41. No questions were posed regarding the notification of Moldova (G/STR/N/7/MDA).

42. No questions were posed regarding the notifications of Nigeria (G/STR/N/4/NGA – G/STR/N/5/NGA – G/STR/N/6/NGA – G/STR/N/7/NGA – G/STR/N/8/NGA).

43. No questions were posed regarding the notification of Norway (G/STR/N/7/NOR).

44. No questions were posed regarding the notifications of Pakistan (G/STR/N/7/PAK – G/STR/N/8/PAK).

45. No questions were posed regarding the notification of Panama (G/STR/N/8/PAN).

46. No questions were posed regarding the notifications of Philippines (G/STR/N/4/PHL – G/STR/N/5/PHL – G/STR/N/6/PHL – G/STR/N/7/PHL).
47. No questions were posed regarding the notification of Poland (G/STR/N/7/POL).
48. No questions were posed regarding the notification of Romania (G/STR/N/8/ROM).
49. No questions were posed regarding the notification of South Africa (G/STR/N/8/ZAF).
50. No questions were posed regarding the notification of Switzerland (G/STR/N/8/CHE).
51. No questions were posed regarding the notifications of Tunisia (G/STR/N/3/TUN – G/STR/N/3/TUN/CORR.1 – G/STR/N/4/TUN – G/STR/N/4/TUN/CORR.1 – G/STR/N/5/TUN – G/STR/N/5/TUN/CORR.1 – G/STR/N/6/TUN – G/STR/N/6/TUN/CORR.1).
52. No questions were posed regarding the notification of Venezuela (G/STR/N/7/VEN).
53. No questions were posed regarding the notifications of Zambia (G/STR/N/7/ZMB-G/STR/N/8/ZMB).
54. The Chairman noted that China's notification had just been received and that it would be circulated promptly and reviewed at the next meeting of the Working Party.
55. The delegate of the European Community asked the delegation of New Zealand whether they were going to produce their 2002 notification. The delegation of the European Community was particularly interested to follow the transformation of the Dairy Board into a new company called Fonterra. According to his information this new company retained statutory monopoly rights on exports from New Zealand, and accounted for 97 per cent of the milk supply in New Zealand. The delegate of the European Community urged New Zealand to submit their notification as soon as possible.
56. The delegate of New Zealand assured the EC delegate that they would submit their information in very good time. He noted that the EC delegate was correct in that the New Zealand government was implementing major changes in the operation of the New Zealand Dairy Board which had been subsumed into Fonterra Cooperative Group. In light of these major developments, New Zealand officials were still assessing the nature and scope of an updated STE notification for 2002, when this assessment was completed New Zealand would notify accordingly and as appropriate the Working Party.
57. The Chairman reported on the status of notifications made to the Working Party. With regard to new and full notifications, as of the day of the meeting, only 43 out of 127 Members had responded to the 2001 request, which was 33 per cent of Members, and only 49 out of 117 Members had responded to the 1998 request, which was 41 per cent of Members. In the area of updating notifications, the situation was even worse. Only 21 out of 144 Members had submitted notifications for 2002, which was 14 per cent of Members, only 40 out of 124 Members had submitted notifications for 2000, which was 32 per cent of Members, and only 43 out of 119 Members had submitted notifications for 1999, which was 36 per cent of Members. The situation had therefore deteriorated rather than improved.
58. The Chairman stressed that the situation regarding notifications was of great concern as it seriously undermined the ability for this Working Party to carry out its main function, meaning the review of Member's notifications, in the light of which the Council for Trade in Goods may make recommendations with regard to the adequacy of notifications and the need for further information.

Compliance with the notification obligations continued to be extremely poor and deteriorated with every new cycle of notifications. The Chairman noted that the Working Party was in a situation in which the vast majority of Members, including a significant group of major trading countries, had not even made a new and full notification under the requests that were issued in 1998 and 2001. Since the last meeting of the Working Party the Secretariat had received several new and full notifications that were to be submitted in 2001. In other words even when Members complied with their notification obligations, this was usually with a significant delay. The tardiness of the notifications, when they were made, greatly reduced the usefulness of the information notified and removed any incentives for those few Members who do notify on time to continue to do so. The Chairman highlighted what he considered was another worrying development in the process of review of notifications, which was that for the previous two years the Working Party had had only one question being asked on those few notifications that were submitted. According to the Chairman this could only be interpreted in two ways, either Members were satisfied with the information provided in the notification or Members had lost interest in the notification review process. The Chairman recalled that, the *raison d'être* of the Working Party was the process of review of notifications, and he feared that this process was in danger of becoming irrelevant or of no use in the near future if something was not done to improve the situation regarding the submission of notifications and to revive the notification review process.

59. The Chairman suggested that the Working Party undertake a process of identifying solutions to the problem of compliance with notifications in the area of state trading enterprises. In this process the Working Party might draw inspiration from the actions undertaken in the Committee on Subsidies and Countervailing Measures in order to improve Member's compliance with their subsidies notifications. Concretely, the Chairman proposed, as a first step in this process, that the Working Party hold an informal meeting during the month of February 2003. At this informal meeting, the issue of notification compliance would be further discussed and the Working Party could try to identify any problems Members might have in preparing their notifications. The Working Party might also examine what had been done in the context of the SCM Committee to see whether the actions taken to improve notification compliance in that body might be of use, in the context of the Working Party on State Trading Enterprises.

60. The Working Party so decided.

61. The Chairman asked the Secretariat to schedule the meeting and to inform Members on the exact date and venue for this informal meeting.

62. The Working Party took note of the statements made.

C. ANNUAL REPORT TO THE COUNCIL FOR TRADE IN GOODS

63. The Working Party adopted the Annual Report to the Council for Trade in Goods which was circulated as document (G/L/591).

D. OTHER BUSINESS

1. **Requests from the Chairman of the Special Session of the Committee on Trade and Development and the Chairman of the Working Group on Trade and Transfer of Technology.**

64. The Chairman informed the Working Party that he had received two letters from the Chairpersons of other WTO bodies.

65. The first letter was from H.E. Ambassador Smith, the Chairman of the Special Session of the Committee on Trade and Development. Ambassador Smith requested information on any discussions

or other developments relating to special and differential treatment that have taken place in the Working Party on State Trade Enterprises, in the form of a report before 30 November 2002.

66. The Chairman stated that in response to this request, he intended to send a letter to Ambassador Smith, reporting that there had been no discussions, submissions, or other developments in the Working Party relating to special and differential treatment for developing countries.

67. The second letter was from H.E. Ambassador Stefan Johannesson, Chairman of the Working Group on Trade and Transfer of Technology. Ambassador Johannesson's letter requested information on any discussion, submissions and/or other developments relating to trade and technology transfer that may have taken place in the Working Party.

68. The Chairman stated that in response to this request, he intended to send a letter to Ambassador Johannesson, informing him that there have been no discussions, submissions, or other developments in the Working Party relating to trade and technology transfer.

69. The meeting was adjourned.
