

Elaboration of Japan's Negotiating Proposal:
State trading enterprises

1. Distinction between export and import state trading enterprises

(Proposal in December 2000[G/AG/NG/W/91])

34. Since state trading has a significant impact on the market, appropriate disciplines should be established in order to improve its transparency and predictability. Taking into account the impact of state trading on the international market, as well as the current rules, disciplines on state trading should be further clarified, while at the same time make a clear distinction between export state trading and import state trading.

(Elaboration)

1. While an import state trading enterprise has an impact only on the market of one country, an export state trading enterprise on an agricultural product can impact the entire international market of the commodity concerned. Thus, the effect that export state trading enterprises have on international trade is greater than import state trading enterprises. Depending on their practice, export state trading enterprises may cause instability to the international market as a whole. From the viewpoint of food security of food importing countries, there need be disciplines that ensure the transparency and predictability concerning operations of export state trading enterprises.

2. Increasing transparency and predictability

(Proposal in December 2000[G/AG/NG/W/91])

In order to improve transparency with regard to the operation of state trading enterprises, the volume and price of exports and imports for respective trade partners should be notified. A mandatory notification indicating the annual project of exports and imports should also be established.

In particular, with regard to export state trading, which has a considerable effect on the international agricultural market as a whole, the following disciplines should be made obligatory:

(i) to provide quarterly notifications of the amount and price of exports, the procurement price and so forth;

(ii) the prohibition of financial assistance from the government;

(Elaboration)

2. Under the current situation where disciplines on exports are generally more lenient compared to rules on imports, there remain possibilities for export state trading enterprises to circumvent the reduction commitment of export subsidies by using a dual pricing system and differential pricing for each export destination through “price pooling”.
3. For example, when an export state trading enterprise has control over the domestic price, and its revenue stemming from pooled domestic sales, setting lower export prices compared to domestic prices would provide export subsidies by using a part of the revenue obtained from the domestic market. Similarly, when an export state trading enterprise exports both to a market with a stable demand and to a new or spot market, setting a lower export price to the latter would practically provide subsidies to the exports to the latter market by using a part of the revenue obtained from the former market.
4. Given such circumstances, in order to improve transparency and predictability concerning operations of export state enterprises, it is necessary to establish disciplines on export state trading, which include a mandatory quarterly notification of export volume, export prices and procurement prices, as well as the prohibition of financial assistance from a government.
5. Concrete proposal for notifications and provisions
 - 1) Mandatory notification by import state trading enterprises
 - All import state trading enterprises on agricultural products should provide annual notification of the volume and price of imports from respective trade partners, domestic sales price and so forth.
 - (Under the current WTO agreement, the notification is made only every 3 years and the data notified are on average import price, lacking details such as import sources.)

[Possible notification form]

Name of the enterprise _____ year _____

Name of product (HS code)	Imports from (name of country)	Import volume	Import volume by import STE	Average import price	Representative average domestic price	Mark-up	Volume of domestic production
	Total						

* Enterprises may notify the value of mark-up instead of the average import price and the representative average domestic price.

2) Mandatory notification by export state trading enterprises

- All export state trading enterprises on agricultural products should provide quarterly notification of the volume and price of exports to respective trade partners, procurement prices and so forth.

(Currently the notification is made only every 3 years and the data notified are average export price, lacking in details such as export destinations.)

[Possible notification form]

Name of the enterprise _____ year _____ quarter _____

Name of product (HS code)	Exports to	Export volume	Export volume by export STE	Average export price	Average procurement price	Average domestic sales price	Volume of domestic production
	Total						

3) Mandatory notification of the annual plan

To improve transparency and predictability of the activities of state trading enterprises on agricultural products, all state trading enterprises concerned shall notify their annual plan elements that are related to the imports and/or the exports. (If the

relevant information is not provided in its annual plan, the enterprise concerned shall notify that its annual plan does not include such information.)

4) Prohibition of financial assistance from the government

Financial assistance from a government to export enterprises (including loan guarantee of operating fund and export credit guarantee) shall be prohibited, since it has the effect of lowering the export price and may be used to circumvent the reduction commitment of export subsidies.

3. Contribution to the world food security

(Proposal in December 2000[G/AG/NG/W/91])

(iii) a contribution to the stabilization of the international market through, for example, obligating minimum exports and stockholding in preparation for unforeseen circumstances.

(Elaboration)

6. Since export state trading enterprises of agricultural goods have considerable impacts on the international market, they shall contribute to the world food security through stabilising the international agricultural trade by abiding to one of the following criteria:

- (i) Mandatory minimum volume of exports – X% of the volume that the enterprise is planning to trade in the year concerned
- (ii) Mandatory minimum volume of stockholding – Y% of the volume that the enterprise is planning to trade in the year concerned
- (iii) Mandatory Contribution to the international organisations – with the same volume in kind as in (ii) above or with the equivalent financial contribution